



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng China New Economy 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 China New Economy Index	
Dealing Frequency:	Daily*	
Dividend Policy:	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 – Accumulation Units	0.79%
	Class A USD – Accumulation Units	0.79%
	Class D HKD – Accumulation Units	0.79%
Tracking difference of 2021***	Class A HKD – Accumulation Units	-0.71%
	Class D HKD – Accumulation Units	-0.70%
Estimated annual tracking difference****	Class A USD – Accumulation Units	-0.71%
Financial year end of the Fund:	31 December	

\* A Dealing Day is any Business Day on which each of the stock exchanges on which the constituent securities of the Hang Seng China New Economy Index are listed is open for full day trading during its regular trading sessions and the SEHK is open for northbound trading through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect. Please refer to the Term Sheet of the Fund for details.

\*\* The ongoing charges figures for Class A HKD – Accumulation Units and Class D HKD – 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 – Accumulation Units was newly established in May 2022, the ongoing charges figure for this class of units is 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 another class of Units already launched with a similar fee structure. The actual figure 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.

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

\*\*\*\* This is an estimated annual tracking difference as Class A USD - Accumulation Units was newly established in May 2022.

### 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 HKD denominated total return performance (net of withholding tax) of the Hang Seng China New Economy Index (the "Index") through investing primarily in the constituent securities 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 securities with reference to their respective weightings in the Index. The constituent securities of the Index may include (i) H-share, Red-chip and P-chip listed in Hong Kong, (ii) A-shares listed in mainland China, and (iii) companies incorporated in or headquartered in mainland China and listed in the U.S. in the form of common stocks or American Depositary Receipts ("ADRs").

In order to maximise portfolio management efficiency, minimise transaction cost and tracking error, exposure to the Index may also be obtained through representative sampling strategies from which the return to the Fund will substantially reflect the performance of the Index. When representative strategies are used, the weighting of a particular constituent security in the Fund may exceed its weighting in the Index and such excess is subject to a maximum limit of 4%. Such strategies are chosen based on their correlation with the Index and cost efficiency in order to reflect the characteristics of the Index. The Manager may adopt the full replication strategy or representative sampling strategies without notice.

In relation to the investment in mainland China-listed A-shares, the Fund will invest through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect ("Stock Connects").

### **Index**

The Index was launched on 3 September 2018 and is calculated with a base value of 3,000 as of 31 December 2014. It measures the performance of sizeable and liquid Chinese companies listed in Hong Kong, Mainland and U.S. which are classified under the industries that are perceived as "New Economy" under the Hang Seng Industry Classification System. Under current selection criteria on sector requirement, the Index covers selected subsectors under industries in information technology, consumer discretionary, healthcare, telecommunications, industrials and utilities, and certain companies under industries in consumer discretionary, consumer staples and financials which fulfill the corresponding criteria (please refer to the "Sector Requirement" in the Appendix to the Term Sheet for details).

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

The Index consists of 100 constituent companies and the universe of the Index includes:

- (a) H-share, Red-chip and P-chip constituents in Hang Seng Composite Index ("HSCI") that are eligible for Southbound trading under the Stock Connects
- (b) A-shares eligible for Northbound trading under the Stock Connects
- (c) U.S.-listed China companies incorporated in or headquartered in mainland China (in the form of common stocks or ADRs)

As the universe of the Index includes certain constituents of the HSCI, those biotech companies listed under Chapter 18A of the SEHK's Main Board Listing Rules that are selected as constituents of the HSCI (if any) may be included in the universe of the Index.

For a security to be selected as a constituent security of the Index, it must pass the Eligibility Screening (which consists of Turnover Screening and Sector Screening). Please refer to the Term Sheet of the Fund for details of the Eligibility Screening performed by Hang Seng Indexes Company Limited as the index compiler.

The review of the constituents of the Index is conducted half-yearly and the review of the sector requirement is

conducted annually.

Both the Manager and Hang Seng Indexes Company Limited (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 Index adopts a free float-adjusted market capitalisation weighted methodology with a 10% cap on individual companies.

As at 13 April 2022, the Index comprised of 114 constituent securities with a freefloat-adjusted market capitalisation of HKD 14,646.8 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](http://www.hsi.com.hk)<sup>▲</sup>.

For details, please refer to the website of the Index Provider, Hang Seng Indexes Company Limited, at [www.hsi.com.hk](http://www.hsi.com.hk)<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.

### **Currency and exchange rate control Risk**

- ❖ The underlying investments of the Fund may include securities denominated in currencies other than the base currency of the Fund. The Net Asset Value of the Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Fund’s base currency and by changes in exchange rate controls.

### **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 will be 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, exchange rate differences 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 will be passively managed and the Manager will 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 securities of Chinese companies listed in a particular stock market and/or in securities of a particular industry/sector/subsector or group of industries/sectors/subsectors, the investments of the Fund will 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 and/or regulatory event affecting the relevant marketplace(s), industries/sectors/subsectors (as the case may be).

#### **Risks relating to Investments in “New Economy” companies**

- ❖ As the Fund will invest principally in securities of companies classified under the industries that are perceived as “New Economy” under the Hang Seng Industry Classification System, an investment in the Fund may be more vulnerable to price fluctuations of securities of companies in these industries and other factors that particularly affect these industries as compared to an investment in a fund having a more diverse portfolio of investments.
- ❖ Concentration of the Fund’s investments in “New Economy” companies may involve significant volatility and risks greater than those generally associated with more diversified funds. “New Economy” industries may be challenged by dynamic market conditions, new competing products and services, and rapid improvements in existing products and services. As such, valuations of companies from “New Economy” industries may be subject to significant instability and fluctuations in valuations. In addition, the valuation of securities associated with “New Economy” industries may be higher than those of more traditional industries, and the Fund may suffer a loss when there is a revaluation of these securities.
- ❖ Companies from the “New Economy” (such as innovative companies) may have a weighted voting rights (WVR) structure (or the so-called dual-class shares structure) under which some key individuals including the founders and key management hold specific classes of shares that are attached with higher voting power than ordinary shares and are disproportionate to the shareholding, or other governance right or arrangement of the beneficiary’s economic interest in the equity securities of the issuer. 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.

#### **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 liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.
- ❖ High market volatility and potential settlement difficulties in the markets may also result in significant fluctuations in the prices of the securities traded on such markets and thereby may adversely affect the value of the Fund.
- ❖ Securities exchange(s) in mainland China typically have the right to suspend or limit trading in any security traded on the relevant exchange(s). The government or the regulators may also implement policies that may affect the financial markets. All these may have a negative impact on the Fund.

#### **US market risks/ADRs associated risks**

- ❖ The Fund’s investments may be concentrated in companies listed on the U.S. Stock Exchanges. The value of the Fund may be more volatile than that of a fund invested in a more diverse portfolio of listed investments.
- ❖ The value of the Fund may therefore be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the U.S. market. The Fund’s investments in U.S. listed companies may be subject to U.S. taxes and this may have a negative impact on the Fund’s performance.
- ❖ Investments in the U.S. listed companies aforesaid may be made via direct investments into the stocks listed in that market and/or by investments in ADRs traded on the U.S. Stock Exchanges in order to benefit from increased liquidity in a particular U.S. listed security and other advantages. Currently, it is expected that the Fund’s investments in the U.S. listed companies aforesaid are to be made mainly through investments in ADRs. ADRs are issued by depositary banks, and they represent shares of foreign companies held by that bank and entitle the holder to dividends and capital gains that are paid out on the underlying shares. Investments in ADRs may be subject to counterparty risk, in which a significant or even total loss might be suffered in the event of the liquidation of the depositary bank. They are also subject to exchange rates fluctuations in the currency of the foreign company’s country relative to the U.S. dollar.

- ❖ It is possible that there are occasions when it is a normal trading day for the U.S. markets but not a Dealing Day for the Fund. Due to such differences, the Fund may be subject to a risk of price fluctuations in the investments in the U.S. listed companies aforesaid.

#### **Risks associated with the Stock Connects**

- ❖ The relevant rules and regulations on the Stock Connects are subject to change which may have potential retrospective effect. The Stock Connects are subject to quota limitations. Where a suspension in the trading through the programme is effected, the Fund's ability to invest in A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Fund's ability to achieve its investment objective could be negatively affected.

#### **RMB Currency and Conversion Risks relating to RMB Denominated Securities**

- ❖ 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 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.

#### **PRC Tax Risk**

- ❖ The Fund may be subject to PRC Enterprise Income Tax and/or other PRC taxes on any cash dividends, distributions and interest it receives from its investment in PRC securities. The Manager reserves the right to make relevant provision on such incomes (if any) if so warranted.
- ❖ Having considered the professional and independent tax advice, the Manager currently does not make withholding income tax provision for gross realised or unrealised capital gains derived from trading of A-shares via Stock Connects.
- ❖ The Manager currently does not make withholding income tax provision for gross realized or unrealized capital gains derived from trading of H-shares, certain red chip shares, certain P chip shares and/or certain U.S.-listed Chinese stocks.
- ❖ There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of investments in the PRC via Stock Connects (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.

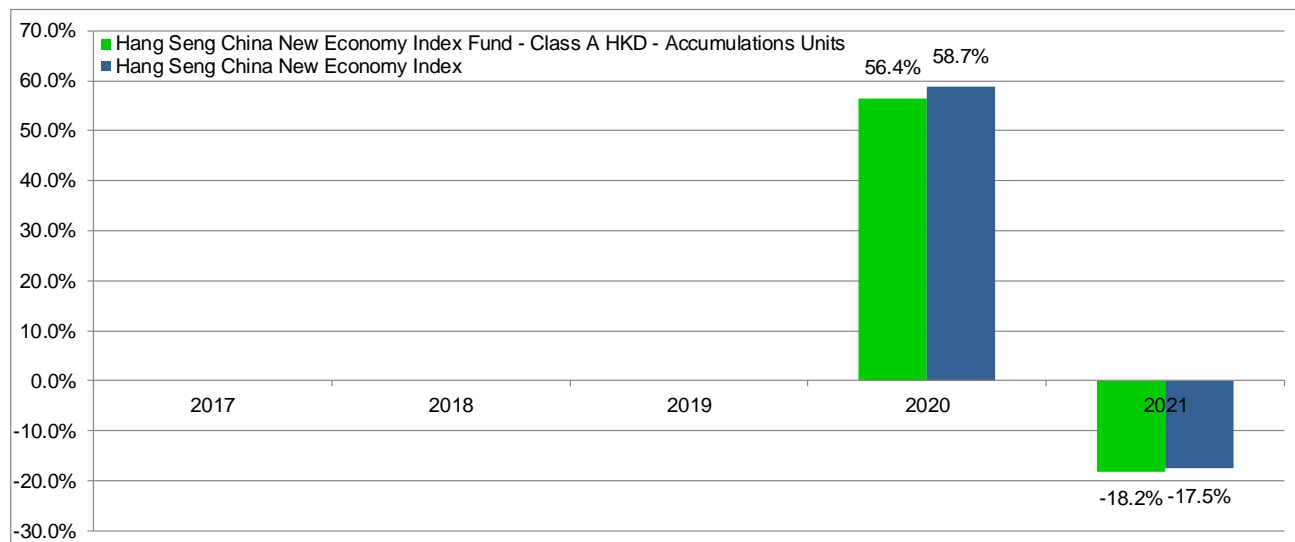
#### **Reliance on the Same Group Risk**

- ❖ Each of the Trustee (also acting as the Registrar of the Fund), the Manager of the Fund, and the Index Provider are subsidiaries of HSBC Holdings plc (the "Group"). Whilst these are separate legal entities and operationally independent, in the event of a financial catastrophe or the insolvency of any member of the Group, there may be adverse implications for the Group as a whole or other members of the Group which could affect the provision of services to the Fund. In such event the Net Asset Value of the Fund may be adversely affected and its operation disrupted.
- ❖ In addition, although all transactions will be at arm's length, conflicts of interest in respect of the Fund may arise from time to time amongst the Trustee, the Manager and the Index Provider which are all members of the Group. The Manager will vigorously manage any such conflicts in the best interest of investors.

#### **Termination Risk**

- ❖ The Fund may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking (including in circumstances where the Index licence agreement is terminated) or if the size of the Fund falls below an equivalent of US\$4 million. Investors may not be able to recover their investments and may suffer a loss when the Fund is terminated.

#### **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 China New Economy Index (total return with dividend reinvested, net of PRC withholding tax).
- ❖ Where no past performance is shown there was insufficient data available in that year to provide performance.
- ❖ Fund launch date: 2019
- ❖ Class A HKD – Accumulation Units launch date: 2019
- ❖ 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](http://www.hangsenginvestment.com)<sup>▲</sup> 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 <sup>#</sup>	
Subscription Fee	Class A HKD – Accumulation Units	Up to 3.0% of the issue price of the Fund
	Class A USD – Accumulation Units	
	Class D HKD – Accumulation Units	
Switching Fee	Class A HKD – Accumulation Units	Up to 2.0% of the issue price of the Fund



	Class A USD – Accumulation Units	
	Class D HKD – Accumulation Units	
Redemption Fee <sup>^</sup>	Class A HKD – Accumulation Units	Nil
	Class A USD – Accumulation Units	
	Class D HKD – Accumulation 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 <sup>^</sup>	Class A HKD – Accumulation Units	Up to 1.00%
	Class A USD – Accumulation Units	
	Class D HKD – Accumulation Units	Up to 0.55%
Trustee Fee <sup>^</sup>	Class A HKD – Accumulation Units	0.045%
	Class A USD – Accumulation Units	
	Class D HKD – Accumulation Units	

<sup>^</sup> Please note that the annual rate stated is the maximum rate that can be charged currently as specified in the Term Sheet of the Fund. It 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](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.