

- ***This statement provides you with key information about this product.***
- ***This statement is a part of the Hong Kong offering document.***
- ***You should not invest in this product based on this statement alone.***

#### Quick Facts

Manager:	Sun Life Asset Management (HK) Limited
Investment Delegate:	Hang Seng Investment Management Limited (external delegate, located in Hong Kong)
Trustee:	Cititrust Limited
Base currency:	HKD
Dealing frequency:	Daily
Ongoing charges over a year*:	Class A: 0.011% Class B: 0.856%
Underlying Index:	Hang Seng ESG 50 Index
Tracking difference of 2021**:	Class A - Total return (with dividend reinvested) version of underlying index: -0.18% p.a. Class A - Price return version of underlying index: 2.61% p.a.
Estimated annual tracking difference***:	Class B - Total return (with dividend reinvested) version of underlying index: -1.03% p.a. Class B - Price return version of underlying index: 1.77% p.a.
Dividend policy:	No distribution is intended to be made in respect of Class A and Class B Units of the Sub-Fund.
Minimum investment:	Class A: Nil initial, Nil additional Class B: Nil initial, Nil additional
Financial year end:	31 December

\* The ongoing charges figure for Class A Units is based on expenses for the financial year ended 31 December 2021. The figure may vary from year to year. The ongoing charges figure for Class B Units is an estimate only as there was no Class B Units in issue as at 31 December 2021. It represents the sum of the estimated ongoing expenses and amortised portion of the estimated set-up costs chargeable to the Sub-Fund over a 12-month period expressed as a percentage of the estimated average net asset value of the Sub-Fund over the same period. The actual figure may be different from the estimate and the 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 there was no Class B Units in issue as at 31 December 2021.

#### What is this product?

Sun Life AM Hong Kong ESG Index Fund (the "Sub-Fund") is a sub-fund of Sun Life Asset Management Funds (the "Fund"), which is a unit trust established as an umbrella fund under the laws of Hong Kong.

The Sub-Fund is a passively managed index tracking fund.

## Investment Objective and Policy

### Investment Objective

The Sub-Fund is an equity index fund which seeks to provide Unitholders with investment results that, before fees and expenses, closely track the performance of the Underlying Index, namely the Hang Seng ESG 50 Index.

### Investment Policy

To achieve the investment objective of the Sub-Fund, the Manager intends to adopt full replication strategy where it will principally invest its assets in substantially all the securities constituting the Underlying Index in substantially the same weightings (i.e. proportions) as these securities have in the Underlying Index. When a constituent security ceases to be a constituent of the Underlying Index, rebalancing occurs which involves, among other things, selling the outgoing security and potentially using the proceeds to invest in the incoming security.

The Sub-Fund may invest up to 10% of its latest available net asset value in financial derivative instruments for hedging purposes. The Sub-Fund does not intend to use financial derivative instruments for investment purposes. For the avoidance of doubt, the Sub-Fund will not receive any collateral pursuant to its use of financial derivative instruments.

The Sub-Fund will not directly or indirectly invest in China A shares, B shares and/or debt securities.

The Manager currently does not intend to enter into any securities financing transactions in respect of the Sub-Fund.

### Underlying Index

The Underlying Index comprises the top 50 Hong Kong-listed companies that perform well with respect to corporate sustainability which encompasses environmental, social and corporate governance ("**ESG**"). Constituent selection is based on a robust process that includes consideration of the results from a sustainability assessment undertaken by Hong Kong Quality Assurance Agency ("**HKQAA**"), an independent and professional assessment body, using its proprietary sustainability assessment and rating framework ("**Corporate Sustainability Rating Assessment**").

The universe for the Underlying Index includes constituents of the Hang Seng Composite Index ("**Universe**"), which comprises companies that have their primary listing on the Main Board of The Stock Exchange of Hong Kong. Foreign companies and stapled securities are not eligible for constituent selection. The constituent of the Underlying Index may be readily acquired or disposed of under normal market circumstances.

Securities in the Universe are eligible if they fulfill certain requirements, including (i) the Listing History Requirement (i.e. securities should have been listed for at least one year, starting from the listing date to the review cut-off date (both dates inclusive), (ii) the Market Value Requirement (i.e. securities that rank in the top 200 in terms of 12-month-average market value in the Universe are eligible); and (iii) the Turnover Requirement (i.e. securities should have a minimum velocity of 0.1% in that month).

If a company has two classes of listed shares, each class of shares will be considered separately. For instance, the liquidity and market value of different classes of a company will be considered separately.

The Underlying Index is a freefloat-adjusted market-capitalisation weighted index with a 10% cap on individual stocks. As of 21 May 2020, the Underlying Index had a freefloat-adjusted market-capitalization of HKD 7,785 billion and 50 constituents.

The Underlying Index is a price index which calculates the performance of the constituents of the Underlying Index without adjustment for cash dividends or warrant bonuses. The Underlying Index was launched on 20 July 2020 and had a base level of 3000 on 30 September 2014. It is denominated in HKD.

The Manager (and its connected persons) is independent of the Index Provider, namely Hang Seng Indexes Company Limited. However, both the Investment Delegate and the Index Provider are presently subsidiaries of Hang Seng Bank Limited. The functions which the Index Provider and the Investment Delegate will perform in connection with the Sub-Fund may give rise to potential conflicts of interest but the Investment Delegate will manage any such conflicts in the best interest of investors.

## **Sustainability Performance Requirement**

Stocks in the Universe that pass all of the above eligibility screening will undergo the Corporate Sustainability Rating Assessment developed and carried out by HKQAA. In order to ensure a professional, objective and comprehensive assessment of the sustainability performance of listed companies, the rating criteria and assessment framework will be formulated by HKQAA with reference to several international standards, including ISO 26000 Guidance on social responsibility and Global Reporting Initiative (GRI).

The GRI is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption. ISO 26000 is an international standard developed to help organizations effectively assess and address social responsibilities that are relevant and significant to their mission and vision; operations and processes; customers, employees, communities, and other stakeholders; and environmental impact. The sustainability assessment framework is designed by making reference to these two standards to assess a company's sustainability performance.

Under the Corporate Sustainability Rating Assessment, the sustainability performance of each eligible company is assessed in both general and industry-specific criteria covering the seven core areas: corporate governance, human rights, labour practices, environment, fair operating practices, consumer issues (i.e. product responsibility, health and safety management, consumer education on environmental protection, sustainable consumption, proper disposal of wrapping, waste and products) and community involvement and development. An HKQAA sustainability performance score and rating ("**ESG scores**") will be assigned to each eligible company after assessment and provided to the Index Provider. Top 50 securities with the highest ESG scores among eligible securities will be selected as constituents of the Underlying Index.

A company's level of maturity in managing the respective practices under the seven core areas is measured against a Plan-Do-Check-Act ("**PDCA**") management approach and is benchmarked against the GRI practice. The ESG expert from HKQAA will provide professional judgment based on the PDCA management approach to measure the maturity of the company's performance. Further, the company is assigned to an industry risk factor based on its business nature. The location factors will be considered as country risk.

In addition, the rating of the eligible security will be subject to ongoing media check. A Media Watch ("**MW**") "Flag" is created if a company has been the subject of a specific allegation that can harm its reputation, resulting in financial consequences ranging from loss of business, loss of customers and declining sales, to liabilities, litigation or fines. A specific discount rate will be assigned to the MW subject and such discount rate will vary by criterion and by industry, depending on the materiality of the potential impact of the company.

The Underlying Index is constructed using ESG best-in-class approach which selects companies for the positive ESG performance relative to its peers. This investing approach does not involve exclusion of any activities, sectors and countries etc as the Index Provider aims to pick the best ESG performers out of the index universe.

Other information relating to the Corporate Sustainability Rating Assessment and its methodology can be obtained from the website of HKQAA at <http://srr.hkqaa.org>. This website has not been reviewed by the Securities and Futures Commission in Hong Kong ("**SFC**").

The most updated list on the constituents of the Underlying Index together with their respective weightings and latest information concerning the Underlying Index (including Underlying Index fact sheets, methodology, end of day Underlying Index levels, Underlying Index performance and ad hoc changes) may be accessed free of charge via the Index Provider's website at [www.hsi.com.hk/eng/indexes/all-indexes/hsesg50](http://www.hsi.com.hk/eng/indexes/all-indexes/hsesg50). This website has not been reviewed by the SFC.

## **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 Hong Kong offering document for details including the risk factors.**

### **General investment risk**

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment

of principal.

#### **Equity securities risk**

- The Sub-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.

#### **Passive investment risk**

- The Sub-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 Sub-Fund. Falls in the Underlying Index are expected to result in corresponding falls in the value of the Sub-Fund.

#### **Tracking error risk**

- The Sub-Fund is subject to tracking error risk, which is the risk that its performance may not track that of the Underlying 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 Underlying Index.

#### **Risk associated with sustainability investment**

- The constituent stocks of the Underlying Index are selected based on, amongst others, ESG scores assigned by HKQAA. It is possible that the Sub-Fund's portfolios may perform less well than portfolios with similar investment objectives that are not engaged in similar or any sustainability rating assessment. The Sub-Fund's investments may be concentrated in investments with a corporate sustainability focus, and its value may be more volatile than that of a fund with having a more diverse portfolio of investments.
- The selection process of the constituent securities of the Underlying Index involves analysis based on certain corporate sustainability criteria. Such assessment by the Index Provider is subjective in nature and it is thus possible that the relevant constituent selection criteria may not be applied correctly. This can lead to the Sub-Fund forgoing investment opportunities which meet the relevant corporate sustainability criteria or investing in securities which do not meet such criteria.
- The Index Provider's corporate sustainability criteria (encompassing ESG) is dependent upon information and data from third party i.e. HKQAA. Such information or data may be incomplete, inaccurate or inconsistent. The lack of a standardised taxonomy may also affect the Index Provider's ability to measure and assess the corporate sustainability of a security.
- The constituent stocks of the Underlying Index may be subject to style drift which no longer meet the ESG criteria of the Underlying Index. As a result, the Index Provider may need to remove such constituent stocks from the Underlying Index. The Manager may need to rebalance the portfolio of the Sub-Fund in response to such change in the constituents of the Underlying Index and may need to dispose of such constituent stocks when it might be disadvantageous to do so. This may have an adverse impact on the performance of the Sub-Fund.

#### **Concentration risk in respect of the Underlying Index**

- To the extent that the Underlying Index concentrates in Hong Kong listed securities, the investments of the Sub-Fund may be similarly concentrated. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting Hong Kong.

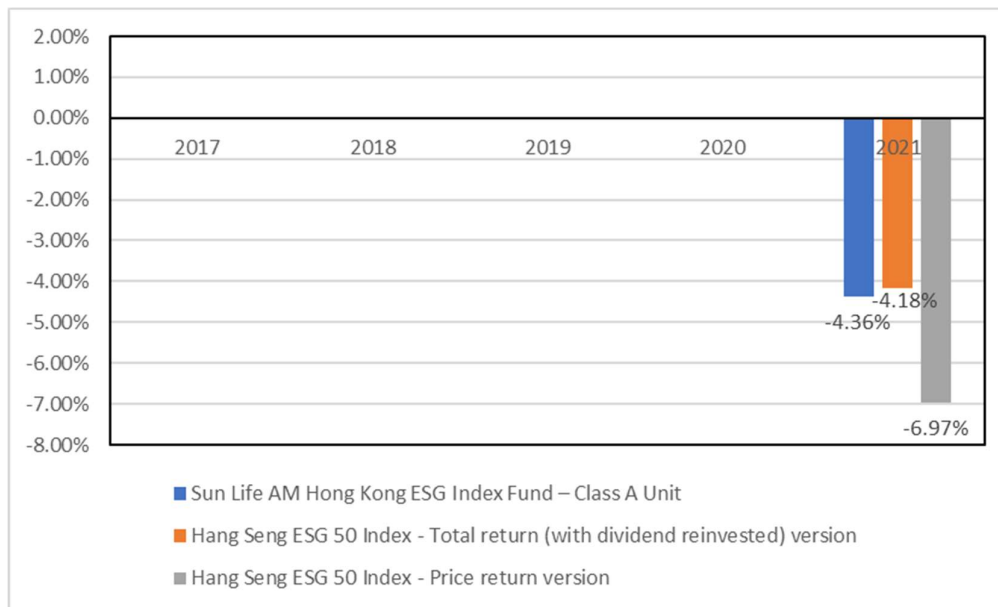
#### **Emerging markets risks**

- The Sub-Fund may invest in securities issued by companies with their principal place of business or key assets located in emerging markets (such as the People's Republic of China ("PRC")) or which derive a substantial part of their revenue from emerging markets. Investing in an emerging market 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.

#### **PRC tax risk**

- Given that the Sub-Fund may invest in securities issued by companies with their principal place of business or key assets located in the PRC or which derive a substantial part of their revenue from the PRC, the Sub-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 Sub-Fund may adversely affect the Sub-Fund's value. If taxes are levied in future on the Sub-Fund for which no provision is made, the Sub-Fund's net asset value will be adversely affected. In this case, the then existing and subsequent investors will be disadvantaged.

### 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 (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 Sub-Fund and the Index has been calculated in HKD. Performance data of the Sub-Fund reflects ongoing charges excluding subscription fee and redemption fee you might have to pay.
- The Benchmark of the Sub-Fund is Hang Seng ESG 50 Index.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund launch date: 2020
- Class A launch date: 2020
- The Manager views Class A Units, being the Class of Units with the longest track record, as the most appropriate representative Class of Units.
- Investors may obtain the past performance information of other Class(es) of Units (if any) upon request when it has an investment track record of not less than 6 months.

**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
<b>Subscription Charge</b> (% of subscription amount)	Class A: Nil Class B: Nil
<b>Switching fee</b>	Class A: Nil Class B: Nil
<b>Redemption Charge</b>	Class A: Nil Class B: Nil

**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.

	<b>Annual rate (as a % of the net asset value of the relevant class of the Sub-Fund)</b>
<b>Management fee</b>	Class A: Nil Class B : 0.79%
<b>Trustee fee</b> <b>Custodian Fee</b> <b>Administrator Fee</b> <b>Registrar and Processing Agent Fee</b>	Class A : Nil Class B : 0.055%
<b>Performance fee</b>	N/A

**Other fees**

You may have to pay other fees and charges when dealing in the units of the Sub-Fund.

**Additional Information**

- You generally buy and redeem units at the Sub-Fund's next-determined net asset value after the processing agent or the authorised distributors receives your request in good order on or before 4 p.m. (Hong Kong time) being the dealing cut-off time. The authorised distributors may impose different dealing deadlines for receiving requests from investors. Investors should confirm the arrangements with the authorised distributor(s) concerned.
- The net asset value of this Sub-Fund is calculated and the price of units are published on each "business day". They are published in the Hong Kong Economic Times and The Standard.

**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.