



Issuer: Hang Seng Investment Management Limited

- ***This statement provides you with key information about Hang Seng 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 Index	
Dealing Frequency:	Class A: 2 Dealing Sessions on each Dealing Day* Class A AUD (Hedged), Class A RMB (Hedged), Class A1 and Class D: 1 Dealing Session on each Dealing Day (Afternoon Dealing Session)	
Dividend Policy:	Class A - Income Units	The Manager currently intends to make declaration of distribution on an annual basis (i.e. December in each year). Unless a Unitholder requests otherwise, the distribution will be reinvested in the subscription of further Units. 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 AUD (Hedged), Class A RMB (Hedged), Class A1 and Class D - 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 - Income Units	1.15%
	Class A AUD (Hedged) - Accumulation Units	1.15%
	Class A RMB (Hedged) - Accumulation Units	1.15%
	Class A1 – Accumulation Units	0.70%
	Class D – Accumulation Units	0.70%
Tracking difference of 2021***	Class A - Income Units	-1.06%
	Class A AUD (Hedged) - Accumulation Units	-2.11%
	Class A RMB (Hedged) - Accumulation Units	0.84%
	Class A1 – Accumulation Units	-1.13%
	Class D – Accumulation Units	-1.88%
Financial year end of the Fund:	31 December	

* Please refer to “Additional Information” for details.

** The ongoing charges figures for Class A - Income Units, Class A AUD (Hedged) - Accumulation Units, Class A RMB

(Hedged) - Accumulation Units, Class A1 – Accumulation Units and Class D – 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. 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 the Class I Units for 2021 is not available as there was no Class I Units in issue as at 31 December 2021.

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 total return performance (net of withholding tax) of the Hang Seng Index (the "Index") for each of the morning and the afternoon trading sessions of The Stock Exchange of Hong Kong Limited (the "SEHK") through investing primarily in the constituent stocks of the Index.

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 or futures contracts on 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 index-tracking strategies or financial derivative instruments (such as futures contracts) from which the return to the Fund will substantially reflect the performance of the Index. Such strategies and instruments are chosen based on their correlation with the Index and cost efficiency in order to reflect the characteristics of the Index.

Index

The Index, launched on 24 November 1969, serves as a benchmark to reflect the overall performance of the Hong Kong stock market. The Index is denominated in HKD and is calculated with a base value of 100 as of 31 July 1964. It is calculated and disseminated real-time at 2-second intervals during trading hours of the SEHK.

Both the Manager and the Index provider (Hang Seng Indexes Company Limited) 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.

There are four sub-indexes: Finance, Utilities, Properties, and Commerce and Industry.

The universe of securities of the Index includes the constituents of the Hang Seng Composite LargeCap & MidCap Index as of index review data cut-off date. Foreign companies, stapled securities and biotech companies with stock names ended with marker "B" are excluded.

To be eligible for inclusion in the Index, a security in the universe must fulfil the eligibility criteria of the Index which include the market value requirement, turnover requirement, listing history requirement and geographical requirement. Eligible securities will be assigned to one of the seven industry groups according to their industry classification of the Hang Seng Industry Classification System. The combination of the industry groups will be reviewed at least every two years. The number of constituents in each industry group will be decided by the below principles:

- Target to cover at least 50%, in terms of market capitalisation, for each industry group;
- Characteristics of the industry group which include the distribution of the listed companies in terms of their size and number; and
- The industry group weighting in the Index compared to the market.

The Index will also maintain 20 to 25 constituents that are classified as "Hong Kong" Companies and this number will be reviewed at least every two years.

In general, eligible securities will be evaluated within each industry group according to the following considerations:

- Representativeness;
- Market capitalisation;
- Turnover; and
- Financial performance.

The final constituent selection will be decided by the HSI Advisory Committee after taking the above into consideration.

The number of constituents is targeted to reach 80 by mid-2022 and ultimately fixed at 100. The constituents of the Index are reviewed quarterly.

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

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 8% cap on individual securities.

As at 13 April 2022, the Index comprised 66 constituents listed on SEHK with total market capitalisation of HKD11,827.7 billion.

The constituents of the Index together with their respective weightings may be accessed via the Index provider's website at: <http://www.hsi.com.hk/>.

For details, please refer to the website of the Index provider, Hang Seng Indexes Company Limited at <http://www.hsi.com.hk/>.

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.

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 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 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, red-chips shares and P chips 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.

Risk associated with investments in companies with weighted voting rights

- ❖ The Fund may invest in, or the constituents of the Index may include, companies (such as innovative companies) which have a weighted voting rights structure. 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.

Risk associated with Dealing Session(s)

- ❖ For Class A Units and Class I Units, in order to track the performance of the Index for each trading session of the SEHK on each Dealing Day, the Fund may need to make investments more frequently on any Dealing Day than the case for a fund which only tracks the performance of the Index on each Dealing Day. The Fund may have to bear relatively higher transaction costs for investments and the performance of the Fund may be adversely affected.
- ❖ On any Dealing Day, the Net Asset Value of the relevant Class of Units for the Morning Dealing Session may be higher or lower than that for the Afternoon Dealing Session. Investors who subscribe for or redeem Units before the Morning Cut-off Time may need to pay/receive a higher or lower price than they need to pay for/receive from the same number of Units subscribed for or redeemed before the Afternoon Cut-off Time.
- ❖ Investors should note that for Class A AUD (Hedged) Units, Class A RMB (Hedged) Units, Class A1 Units and Class D Units, there is only one Dealing Session on each Dealing Day (ie Afternoon Dealing Session). These Units may not be able to track the performance of the Index for the morning trading session of SEHK.

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.

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 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. Under exceptional circumstances, payment of redemptions 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.
- ❖ When the Manager seeks to hedge against currency fluctuations, while it is not the intention, this could result in over-hedged or under-hedged positions. Furthermore, risks associated with leverage may arise from the derivative positions of the hedging transactions as a result of over-hedging the currency exposure. Unitholders of a hedged class may have exposure to currencies other than the denominated currency of that hedged class.

It should also be noted that hedging transactions may be entered into whether the denominated currency of the hedged classes is declining or increasing in value relative to the Fund's base currency and/or the currency of the underlying asset, where such hedging is undertaken it may substantially protect Unitholders in the hedged class against a decrease in the value of the Fund's base currency and/or the currency of the underlying asset relative to the class currency of the hedged class, but it may also 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.

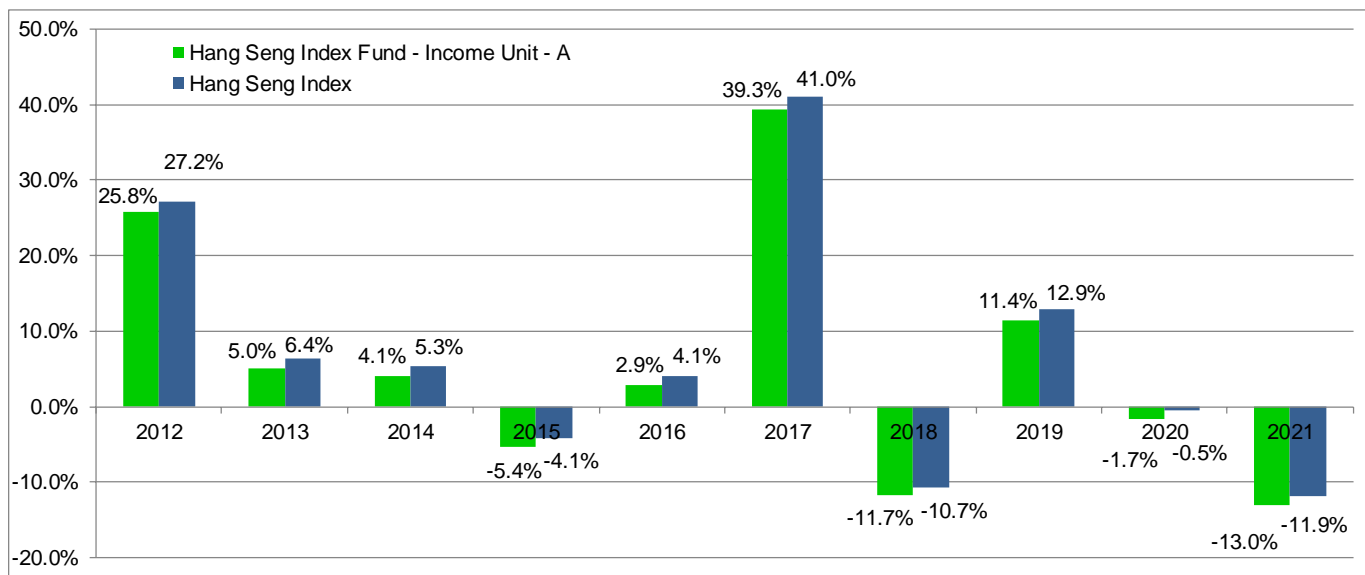
PRC Tax Risk

- ❖ The Fund may be subject to PRC Enterprise Income Tax and/or other PRC taxes on any cash dividends, distributions and interest 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, certain red chips shares and certain P chips 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 Net Asset Value will be adversely affected. In this case, the then existing and subsequent investors will be disadvantaged.

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.

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 Index (total return with dividend reinvested, net of PRC withholding tax).
- ❖ 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: 1998
- ❖ Class A – Income Units launch date: 1998
- ❖ The Manager views Class A – Income 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[▲] when it has an investment track record of not less than 6 months.
- ❖ 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 [#]	
Subscription Fee	Class A Units	Up to 3.0% of the issue price of the Fund
	Class A AUD (Hedged) Units	
	Class A RMB (Hedged) Units	
	Class A1 Units	
	Class D Units	
	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 A AUD (Hedged) Units	
	Class A RMB (Hedged) Units	
	Class A1 Units	
	Class D Units	
	Class I Units	Up to 1.0% of the issue price of the Fund
Redemption Fee	Class A Units	Nil
	Class A AUD (Hedged) Units	
	Class A RMB (Hedged) Units	
	Class A1 Units	
	Class D Units	
	Class I 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	Up to 1.00%
	Class A AUD (Hedged) Units	
	Class A RMB (Hedged) Units	
	Class A1 Units	Up to 0.55%
	Class D Units	
	Class I Units	Up to 0.50%
Trustee Fee [^]	Class A Units	0.045%
	Class A AUD (Hedged) Units	
	Class A RMB (Hedged) Units	
	Class A1 Units	
	Class D Units	
	Class I Units	

[^] 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

- ❖ You generally buy and redeem Units at the Fund's next-determined Net Asset Value.
- ❖ The 2 Dealing Sessions are the Morning Dealing Session (with Morning Cut-Off Time) and the Afternoon Dealing Session (with Afternoon Cut-off Time). For subscription and redemption applications, there are 2 cut-off times for Class A Units and Class I Units; and for Class A AUD (Hedged) Units, Class A RMB (Hedged) Units, Class A1 Units and Class D Units, there is only one Dealing Session i.e. the Afternoon Dealing Session. For switching applications, there is only one cut-off time i.e. the Afternoon Cut-off Time for all classes of Units. 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". In respect of jurisdiction(s) other than Hong Kong, the availability of the Dealing Sessions may be limited due to technical operational reasons or otherwise. Investors in such jurisdiction(s) may contact the relevant local Authorised Distributor(s) as to the Dealing Session(s) which is available in their jurisdiction(s).
- ❖ To be dealt with on a Dealing Session/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 Class A Units and Class I Units of the Fund is calculated twice in respect of each Dealing Day as at such time after each of the Morning Cut-off Time and the Afternoon Cut-off Time respectively but before the next relevant Dealing Cut-off time, and the Net Asset Value of Class A AUD (Hedged) Units, Class A RMB (Hedged) Units, Class A1 Units and Class D Units of the Fund is calculated once in respect of each Dealing Day as at such time after the Afternoon Cut-off Time but before the next relevant Dealing Cut-off time. The Net Asset Value of the Fund is available online at www.hangsenginvestment.com[^].
- ❖ **Restrictions on redemption:** The Manager is entitled at its discretion and with the approval of the Trustee to limit the number of Units redeemed in respect of any Dealing Session (whether by sale to the Manager or by cancellation by the Trustee) to 10% of the total Net Asset Value of Units in the Fund then in issue.
- ❖ 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)