



Issuer: Hang Seng Investment Management Limited

- ***This is a leveraged product. It is different from conventional index funds as it seeks leveraged investment results relative to the Hang Seng Index (the “Index”) and only on a Daily basis.***
- ***This product is not intended for holding longer than one day as the performance of this product over a longer period may deviate from and be uncorrelated to the leveraged performance of the Index over the period.***
- ***This product is designed to be used for short term market timing or hedging purposes, and is not intended for long term investment.***
- ***This product only targets sophisticated trading-oriented investors who understand the potential consequences of seeking Daily leveraged results and the associated risks and constantly monitor the performance of their holdings on a Daily basis.***
- ***Investors can only redeem the Units at day-end Net Asset Value on each Dealing Day and are, unlike listed leveraged products, unable to exit intraday and, in particular, in the event of significant volatility.***

- ***This statement provides you with key information about Hang Seng HSI Daily (1.5x) Leveraged 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
Base Currency:	HKD
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** (annual average daily ongoing charges***):	1.51% (0.0061%)
Actual average daily tracking difference****:	-0.01%
Financial year end of the Fund:	31 December
Website:	<a href="http://www.hangsenginvestment.com">www.hangsenginvestment.com</a> <sup>▲</sup>

\* 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”.

\*\* With effect from 13 September 2022 and 19 September 2022, the ongoing charges of Hang Seng Index Tracking Fund and Tracker Fund of Hong Kong (i.e. the underlying funds in which the Fund invests) have been updated respectively. The ongoing charges figure of the Fund is an estimate calculated based on the revised ongoing

charges of the underlying funds and other ongoing expenses of the Fund 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 and the ongoing charges of underlying funds in which the Fund invests. 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.

\*\*\* The annual average daily ongoing charges figure is equal to the ongoing charges figure divided by the number of Dealing Days for the year ended 31 December 2021. This figure may vary from year to year.

\*\*\*\* This is the actual average daily tracking difference for the year ended 31 December 2021. Investors should refer to the website [www.hangsenginvestment.com](http://www.hangsenginvestment.com)<sup>▲</sup> for the updated actual average daily tracking difference.

## 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").
- ❖ The Fund is a leveraged fund which seeks to match as closely as practicable, before fees and expenses, the total return performance (net of withholding tax) of the Index with a leverage factor of 1.5 on a Daily basis.

## Objective and Investment Strategy

### Objective

The investment objective of the Fund is to provide investors with leveraged exposure to the Index. It seeks to match as closely as practicable, before fees and expenses, the total return performance (net of withholding tax) of the Index with a leverage factor of 1.5 on a Daily basis. **The Fund does not seek to achieve its stated investment objective over a period of time greater than one day.**

### Investment Strategy

The Fund will obtain exposure to the Index by investing at least 70% of its Net Asset Value (this percentage may be reduced proportionately under exceptional circumstances, as described below) in SFC authorised collective investment scheme(s) (including but not limited to exchange-traded funds) with the investment objective of matching, before fees and expenses, as closely as practicable the total return performance (net of withholding tax) of the Index with leverage being obtained through the use of borrowings, Hang Seng Index futures contracts ("HSI Futures") and/or Mini-HSI Futures. References herein to HSI Futures shall include Mini-HSI Futures, unless the context requires otherwise. The HSI Futures are used with a view to adjust the exposure of the Fund to the Index. In entering into the HSI Futures, it is anticipated that no more than 30% of the Net Asset Value of the Fund from time to time will be used as margin to acquire the HSI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially.

Currently, the Manager has determined that the Fund invests in aggregate, at least 70% of its Net Asset Value in Hang Seng Index Tracking Fund ("HSITF") and/or Tracker Fund of Hong Kong ("TraHK") (collectively, the "Underlying Funds"). Each of the Underlying Funds is a collective investment scheme also managed by the Manager, the net derivative exposure of which is up to 50% of its net asset value.

The Manager may borrow up to 10% of the Net Asset Value of the Fund both to acquire investment for the Fund and to meet the Fund's redemptions and other expenses.

Currently, the Manager has no intention to invest in over-the-counter financial derivative instruments ("FDI") for the Fund or to have any securities lending, repurchase or similar over-the-counter transactions entered into for the account of the Fund.

In the future, where the Manager intends to have any securities lending, repurchase or similar over-the-counter transactions entered into for the account of the Fund, subject to SFC's prior approval, 1 month's prior notice will be given to the relevant Unitholders.

"Daily" in relation to the leveraged performance of the Index or the performance of the Fund, means the leveraged performance of the Index or the performance of the Fund (as the case may be) from the close of market of a given Dealing Day until the close of the market on the subsequent Dealing Day. The Fund will be

rebalanced daily, on each Dealing Day, as further described below.

### **Daily Rebalancing**

At or around the close of the trading of the underlying futures market (in respect of the investment in HSI Futures) / the underlying cash market (in respect of the investment in exchange-traded fund(s)) on each Dealing Day, the Fund will seek to rebalance its portfolio by increasing exposure in response to the Index's Daily gains or reducing exposure in response to the Index's Daily losses, so that its Daily leverage exposure ratio to the Index is consistent with the Fund's investment objective.

### **Futures roll**

A "roll" occurs when an existing HSI Future is about to expire and is replaced with a HSI Future representing the same underlying but with a later expiration date. As the Index is not a futures index, the Fund does not follow any predetermined roll-over schedule. The Manager will use its discretion to carry out the roll-over of the spot month HSI Futures into next month HSI Futures with the goal that, by one Business Day before the last trading day of the spot month HSI Futures, all roll-over activities in respect of spot month HSI Futures would have occurred.

### **The Underlying Funds**

Similar to the investment objective of the Fund, each of the Underlying Funds aims to match, before expenses, as closely as practicable the performance of the Index. The offering documents of HSITF and TraHK are available at [www.hangsenginvestment.com](http://www.hangsenginvestment.com)<sup>▲</sup> and [www.TraHK.com.hk](http://www.TraHK.com.hk)<sup>▲</sup> respectively.

### **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 Stock Exchange of Hong Kong Limited (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 with a leverage factor of 1.5 on a Daily basis.

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 of the Underlying Funds and the Index, please refer to Appendix 1 and Appendix 2 of the Term Sheet of the Fund respectively.

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

The Fund's net derivative exposure may be more than 50% but up to 100% of its Net Asset Value.

### **What are the key risks?**

**The Fund will be leveraged by borrowing and by entering into HSI Futures and the degree of leverage is high. Investment in the Fund involves significant risks, and the risks involved are not typically encountered in traditional funds. Besides, the Fund undertakes special risks which may lead to substantial or total loss of investment, and is not suitable for investors who cannot afford to bear such risks. Please refer to the "Risk Factors" section in the Explanatory Memorandum and the Term Sheet of the Fund respectively for details.**

#### **General Investment Risk**

- ❖ The Fund is a derivative product and is not suitable for all investors. 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.
- ❖ Prices of the Fund may be more volatile than conventional index funds because of the use of leverage and daily rebalancing activities.

#### **Long Term Holding Risk**

- ❖ The return of the Fund for periods longer than a single day, especially in periods of volatility, may not be 1.5 times that of the Index and can differ significantly in amount and possibly direction from the return of the Index over the same period of time. Please refer the "Comparison between the Index and the leveraged performance of the Index for a period longer than one day (i.e. comparison of the point-to-point performance)" section in the Term Sheet of the Fund for further details, including illustrative examples.
- ❖ The effect of compounding becomes more pronounced on the Fund's performance as the Index experiences volatility. With higher Index volatility, the deviation of the Fund's performance from the leveraged performance of the Index will increase, and the performance of the Fund will generally be adversely affected.
- ❖ As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Fund will lose money over time while the Index's performance increases or is flat.

### **Risk associated with the Leveraged Exposure to the Index**

- ❖ The performance of the Fund is magnified (either in an upward or downward market) as compared with that of the Index because of the use of leverage and effects of compounding. Due to the Fund's leveraged exposure to the Index, a fall in the value of the Index will trigger a greater and accelerated fall in the Net Asset Value of the Fund.
- ❖ With leverage being used, the Fund is exposed to a greater risk of loss arising from adverse movements in the Index. Therefore, investors should monitor their investment in the Fund frequently (or even daily during periods of volatility). The Fund is not suitable for retail investors who would like to adopt the traditional buy-and-hold strategy.

### **Risk associated with Investment in Futures Contracts**

- ❖ Risks associated with futures contracts include liquidity risk, valuation risk, and volatility risk. There may be imperfect correlation between the value of the underlying reference assets and the futures contracts, which may prevent the Fund from achieving its investment objective. The leverage element/component of futures contracts can result in a loss significantly greater than the amount invested in the futures contracts by the Fund. Exposure to futures contracts may lead to a high risk of significant loss by the Fund.
- ❖ The Fund may be adversely affected by the cost of rolling positions forward as the HSI Futures approach expiry.
- ❖ The Fund invests in futures contracts which are particularly volatile. The prices of futures contracts may be affected by many factors apart from the values of the underlying assets. The low initial margin deposits normally required to establish a position in futures contracts permit a high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss which is greater than the amount of margin deposits initially placed with the intermediaries. This may have a material adverse effect on the Net Asset Value of the Fund.

### **Holding of HSI Futures restriction in number risk**

- ❖ The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules") limits the holding by a person for his own account, or for another person but which he controls, of futures contracts or stock options contracts. As such, not only are the positions of futures contracts or stock options contracts held or controlled by the Fund subject to the prescribed position limit, the positions of futures contracts or stock options contracts held or controlled by the Manager, including positions held for the Manager's own account or for the funds under its management (such as the Fund) but controlled by the Manager, may not in aggregate exceed the relevant maximum under the Rules. Accordingly, if the position held or controlled by the Manager reaches the relevant position limit or if the Net Asset Value of the Fund grows significantly, the restrictions under the Rules may prevent subscriptions of Units due to the inability under the Rules of the Fund to acquire further HSI Futures. The investment exposure could also deviate from the target exposure which adds tracking error to the Fund.

### **Risks of Rebalancing Activities**

- ❖ There is no assurance that the Fund can rebalance its portfolio on a Daily basis to achieve its investment objective. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Fund's ability to rebalance its portfolio.

### **Liquidity Risk**

- ❖ The Fund is exposed to liquidity risk linked to HSI Futures. Moreover, the rebalancing activities of the Fund typically take place at or around the close of trading of the underlying futures market (in respect of the investment in HSI Futures) / the underlying cash market (in respect of the investment in exchange-traded fund(s)) to minimise tracking difference. As a result, the Fund may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

### **Portfolio Turnover Risk**

- ❖ Daily rebalancing of the Fund's holdings causes a higher level of portfolio transactions than compared to the conventional funds. High levels of transactions increase brokerage and other transaction costs.

### **Tracking Error and Correlation Risks**

- ❖ The Fund may be subject to tracking error risk, which is the risk that its Daily performance may not precisely track 1.5 times of the Daily performance of the Index. This tracking error may result from the investment strategy used, high portfolio turnover, liquidity of the market and fees and expenses, and the correlation between the performance of the Fund and the 1.5 times of the Daily performance of the Index may be reduced. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication of the leveraged performance of the Index at any time.

### **Risks relating to the Fund Structure/Underlying Funds**

#### **Concentration Risk**

- ❖ To the extent that the Index concentrates in the 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 Underlying Funds may be similarly concentrated. The value of the Underlying Funds may be more volatile than that of a fund having a more diverse portfolio of investments.
- ❖ The value of the Underlying Funds 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.

#### **Risk associated with investments in companies with weighted voting rights**

- ❖ 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 Underlying Funds and the Fund where the Underlying Funds invests in the ordinary shares of such companies.

#### **Risks of Investing in the Underlying Funds**

- ❖ In addition to the expenses and charges charged by the Fund, investors should note that there may be additional fees involved when investing into the Underlying Funds, such as fees and expenses charged by the service providers of the Underlying Funds. That will affect the performance of the Fund relative to the Index. Furthermore, there can be no assurance that the Underlying Funds' investment objectives and strategies will be successfully achieved or that the performance of the Underlying Funds will be identical to the performance of the Index particularly on a day-to-day basis. In addition, there can be no assurance that the liquidity of the Underlying Funds will always be sufficient to meet realisation requests. There could also be trading suspension of the Underlying Funds in the secondary market. These factors may have an adverse impact on the Fund and its investors. As the Fund invests in the Underlying Funds which are also managed by the Manager, potential conflict of interest may arise.
- ❖ The Fund invests in the Underlying Funds which is/are passively managed. The manager of the Underlying Funds does not have any discretion to select stock individually or to take defensive positions in declining markets. Hence, any fall in the Index will result in a fall in the value of the Underlying Funds, and a fall in the value of the Fund.

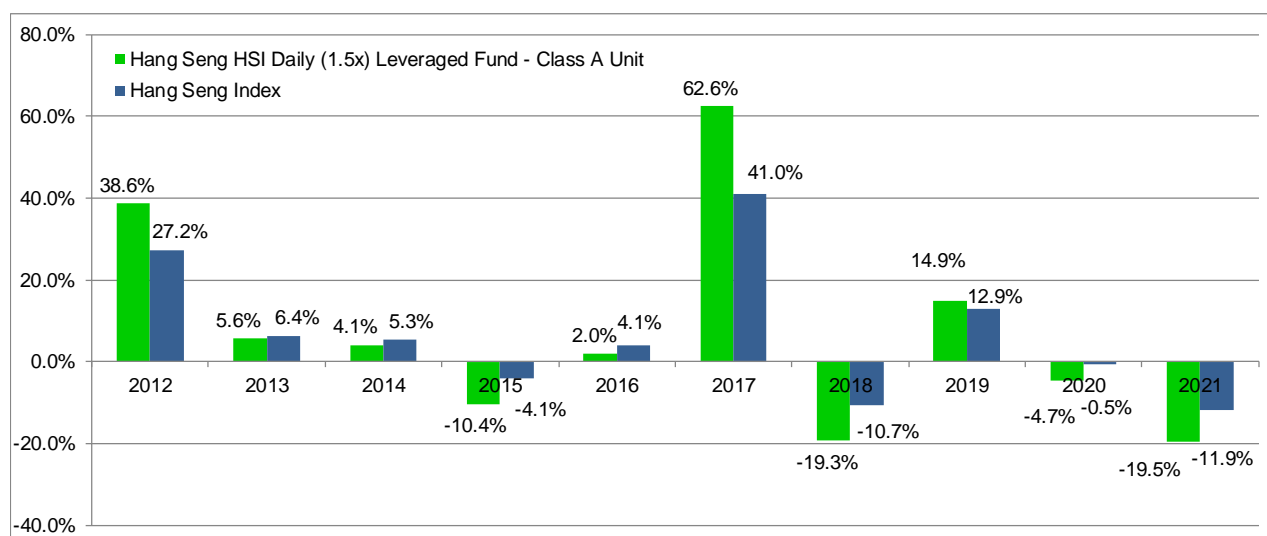
### **Conflicts of Interest Risk**

- ❖ Each of the Trustee (also acting as the Registrar of the Fund), the Manager of the Fund (also acting as the manager of the Underlying Funds), 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 and liquidity 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.

## How has the Fund performed?



- ❖ Past performance information of the Fund is not indicative of future performance. Investors may not get back the full amount invested.
- ❖ The computation basis of the performance of the Fund is based on the calendar year end, Unit Price-To-Unit Price, with dividend (if any) reinvested.
- ❖ These figures show by how much the Fund and the Index increased or decreased in value during the calendar year being shown. Performance data of the Fund has been calculated in HKD including ongoing charges and excluding subscription fee and switching fee you might have to pay.
- ❖ The Fund seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of the Fund may not correspond to 1.5 times the return of the Index over a one-year period or any period beyond one day. Investors should refer to the Term Sheet of the Fund for more information about the differences between the performance of the Fund and 1.5 times the return of the Index over a period longer than one day.
- ❖ 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: 2000
- ❖ Class A Units launch date: 2000

## 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 4.0% of the issue price of the Fund
Switching Fee	Class A Units	Up to 2.0% of the issue price of the Fund

Redemption Fee	Class A Units	Nil									
# Please contact the Authorised Distributor(s) of the Fund for details.											
<p><b>Ongoing fees payable by the Fund</b></p> <p>The following expenses will be paid out of the Fund. They affect you because they reduce the return you get on your investments.</p> <table> <tr> <th></th><th colspan="2">Annual rate (as a % of the Net Asset Value of the Fund)</th></tr> <tr> <td>Management Fee<sup>^</sup></td><td>Class A Units</td><td>Up to 1.5%</td></tr> <tr> <td>Trustee Fee<sup>^</sup></td><td>Class A Units</td><td>0.055%</td></tr> </table> <p><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.</p> <p><b>Other fees</b></p> <p>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.</p>				Annual rate (as a % of the Net Asset Value of the Fund)		Management Fee <sup>^</sup>	Class A Units	Up to 1.5%	Trustee Fee <sup>^</sup>	Class A Units	0.055%
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<p><b>Additional Information</b></p> <ul style="list-style-type: none"> <li>❖ You generally buy and redeem Units at the Fund's next-determined Net Asset Value.</li> <li>❖ 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.</li> <li>❖ 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 <a href="http://www.hangsenginvestment.com">www.hangsenginvestment.com</a><sup>▲</sup>.</li> <li>❖ Investors may obtain other information of the Fund from the website <a href="http://www.hangsenginvestment.com">www.hangsenginvestment.com</a><sup>▲</sup>.</li> </ul>											
<p><b>Important</b></p> <p>If you are in doubt, you should seek professional advice.</p> <p>The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.</p>											

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

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