

Hang Seng China Enterprises Index ETF (2828.HK)

Now promoted by HSBC Asset Management

Fund Overview

October 2021

Important information:

- ◆ With effect from 5 March 2018, Hang Seng H-Share Index ETF is renamed as Hang Seng China Enterprises Index ETF (the "Fund").
- ◆ The Fund is an index-tracking fund which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index (the "Index"). The Fund invests primarily in the constituent stocks of the Index.
- ◆ The Fund is different from a typical unit trust as it is listed on The Stock Exchange of Hong Kong Limited, and like other listed stocks, carry similar risks such as liquidity risk and risk of trading suspension. The market price per Unit could be significantly higher or lower than its Net Asset Value per Unit due to market demand and supply, liquidity and scale of trading spread in the secondary market and will fluctuate during the trading day.
- ◆ The Fund is subject to tracking error risk, passive investment risk, risk of concentration of investments in a single market/several constituent stocks of the Index and risks associated with investments in mainland China (an emerging market).
- ◆ The Fund is also subject to dual counter risk, RMB currency and conversion risks, reliance on market maker risk and reliance on the same group risk.
- ◆ The Manager may, at its discretion, pay dividend out of capital. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the Fund are charged to/paid out of the capital of the Fund, resulting in an increase in distributable income for the payment of dividends by the Fund and therefore, the Fund may effectively pay dividend out of capital. Payment of dividends out of capital or effectively 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 distributions involving payment of dividends out of the capital of the Fund or effectively out of the capital of the Fund may result in an immediate reduction of the Net Asset Value per Unit of the Fund.
- ◆ Investment involves risks and investors may lose substantial part of their investment in the Fund.
- ◆ Investors should not only base on this material alone to make investment decisions, but should read the Fund's offering documents (including the full text of the risk factors stated therein) in detail.

Objective

Hang Seng China Enterprises Index ETF ("the Fund") seeks to provide investment returns for investors that match, before expenses, the performance of the Hang Seng China Enterprises Index as closely as practicable.

About the Fund



Competitive coverage: high market value coverage over half of the Mainland securities listed in Hong Kong, comprises of Red-chips, P-chips and H-shares



Dividend distribution potential¹: aims at offer semi-annual dividend in Jun and Sep of each year (dividend is not guaranteed and may be paid out of capital)



Long track record: over 17 years of strong track record since its launch in 2003, which is also one of the representative China enterprise ETFs



Dedicated team: dedicated team of index investment experts with 25 years of experience in local passive investment strategy

About the Index

The Hang Seng China Enterprises Index serves as a benchmark that reflects the overall performance of Mainland securities listed in Hong Kong.

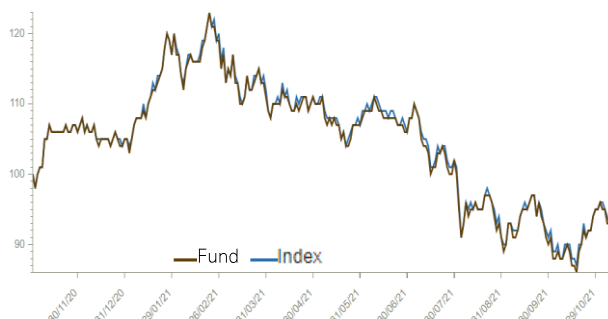
Market value coverage ratio	46.1%
Market turnover coverage	50.7%
No. of constituents	50

Source: Hang Seng Indexes Company Limited, as at 29 October 2021.

Features of the Index

- ◆ Offers investors a cost-efficient way to invest in the top 50 largest and most liquid Mainland securities listed in Hong Kong
- ◆ Applies 8% cap to avoid single stock domination in the Index
- ◆ Review on a quarterly basis to ensure index representativeness representing Mainland securities listed in Hong Kong

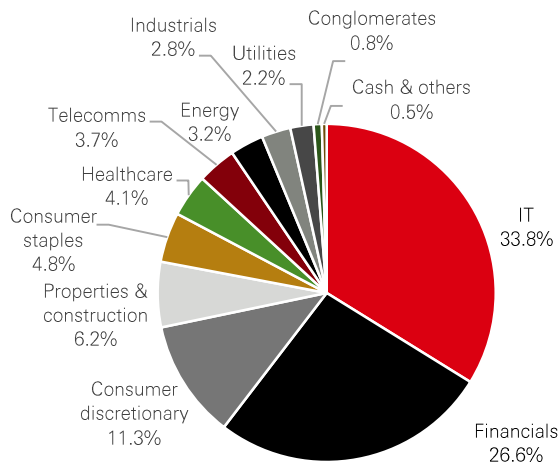
1-year performance²



Note: 1. Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return. 2. Source: Hang Seng Investment Management, as at 29 October 2021. NAV to NAV in HKD, total return with dividend (if any) reinvested. Calendar year return of the Fund: 2021 YTD: -14.85%; 2020: -1.04%; 2019: 13.30%; 2018: -10.93%; 2017: 27.96%; 2016: 0.22%.

Investment involves risk. Past performance is not indicative of future performance. The investment strategy and view is subject to change without notice. **The Fund is managed by Hang Seng Investment Management Limited.**

Asset allocation³



Note: 3. Source: Hang Seng Investment Management, as of 30 September 2021. 4. Rolling one year figure. The return difference between the Fund and the Index over one year. 5. Rolling one year figure. Annualized based on the number of dealing days in the past year when daily tracking difference is calculated. 6. As of 31 December 2020. 7. Dividend is not guaranteed and may be paid out of capital, which will result in capital erosion and reduction in net asset value. A positive distribution yield does not imply a positive return.

Fund details³

Tracking index	Hang Seng China Enterprises Index (total return, net of PRC withholding tax)
Inception date	19 November 2003
Base currency	HKD
Stock code	2828.HK (HKD counter) 82828.HK (RMB counter)
ISIN	HK2828013055 (HKD counter) HK0000251360 (RMB counter)
Number of stocks held	52
AUM	HKD20.83 billion
Tracking difference⁴	-0.53%
Tracking error⁵	0.27%
Management fee	0.55% per annum
Ongoing charges over a year⁶	0.65%
Dividend policy⁷	Semi-annually (Jun & Sep, if any)
Fund manager	Hang Seng Investment Management Limited
Trustee	HSBC Institutional Trust Services (Asia) Limited

Key risks:

- ◆ **Investment Risk:** the Fund is an investment fund and its 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. There is no assurance that the Fund will achieve its investment objective.
- ◆ **Equity Market Risk:** the Fund's investments in equity securities is subject to general market risks, and the value of such investments 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's performance may not track that of the Index exactly. This tracking error may result from factors such as the investment strategy used, fees and expenses. There can be no assurance of exact or identical replication at any time of the performance of the Index.
- ◆ **Dual Counter Risk:** if there is a suspension of the inter-counter transfer of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their Units in one counter only, which may inhibit or delay an investor dealing.
- ◆ **Passive Investment Risk:** the Fund is 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 and Mainland Market Risks:** the Fund's investments are concentrated in securities listed on the SEHK of companies having major business exposure to Mainland. 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 the Mainland market.
- ◆ **Trading Risk:** the trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the Fund's Net Asset Value.
- ◆ **RMB Currency and Conversion Risks:** the Fund is denominated in HKD but has Units traded in RMB. RMB is currently not freely convertible and is subject to exchange controls and restrictions. 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. Non-RMB based investors who buy and sell Units traded in RMB are exposed to foreign exchange risk.
- ◆ **Termination Risk:** the Fund may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking or if the size of the Fund falls below HKD4,000,000. Investors may not be able to recover their investments and suffer a loss when the Fund is terminated.
- ◆ **Other risks:** including Distribution Out of Capital or Effectively Out of Capital Risk, PRC Tax Risk, Reliance on Market Maker Risk, Reliance on the Same Group Risk and Risk associated with investments in companies with weighted voting rights. Please refer to the offer documents for further details including the risk factors.

Important information

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorized reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Asset Management Global Investment Strategy Unit at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

We accept no responsibility for the accuracy and/or completeness of any third party information obtained from sources we believe to be reliable but which have not been independently verified. Copyright © HSBC Global Asset Management (Hong Kong) Limited 2021. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Global Asset Management (Hong Kong) Limited. This document has not been reviewed by the Securities and Futures Commission.

HSBC Asset Management is the brand name for the asset management business of HSBC Group. The above communication is distributed in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited.

The Fund is managed by Hang Seng Investment Management Limited.