

Hang Seng Index ETF (2833.HK)

Now promoted by HSBC Asset Management

Fund Overview

October 2021

Important information:

- ◆ Hang Seng Index ETF (the "HSI ETF") is an index-tracking fund which aims to match, before expenses, as closely as practicable the performance of the Hang Seng Index (the "Index"). The HSI ETF invests primarily in the constituent stocks of the Index.
- ◆ The HSI ETF 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 HSI ETF is subject to tracking error risks, risks associated with passive investments and risks of concentration of investments in a single market/several constituent stocks of the Index.
- ◆ 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 HSI ETF are charged to/paid out of the capital of the HSI ETF, resulting in an increase in distributable income for the payment of dividends by the HSI ETF and therefore, the HSI ETF 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 HSI ETF or effectively out of the capital of the HSI ETF may result in an immediate reduction of the Net Asset Value per Unit of the HSI ETF.
- ◆ Investment involves risks and investors may lose substantial part of their investment in the HSI ETF.
- ◆ Investors should not only base on this material alone to make investment decisions, but should read the HSI ETF's offering documents (including the full text of the risk factors stated therein) in detail.

Strategy at a glance

The Hang Seng Index ETF (2833.HK) aims to replicate the performance of the Hang Seng Index, while focusing on minimising the tracking difference between the fund and the index. This is done through an easy and cost-efficient approach harnessing Hang Seng Investment Management's expertise in passive investing.

About Hang Seng Index ETF (2833.HK)



Competitive pricing: the Fund offers cost efficient access to one of the top stock markets of the world – Hong Kong (TER of 0.11%¹)



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



Long track record: over 16 years of strong track record since its launch in 2004, which is also one of the largest ETFs in Hong Kong with over HKD44billion¹ AUM



Consistent tracking performance: closely tracks the performance of Hang Seng Index, with one-year rolling tracking error of 0.20%¹

1-year performance²



About the Index

The Hang Seng Index is the most widely quoted gauge of the Hong Kong stock market and includes the largest and most liquid stocks listed on the Main Board of the Stock Exchange of Hong Kong.

Market value coverage ratio	55.5%
No. of constituents	60

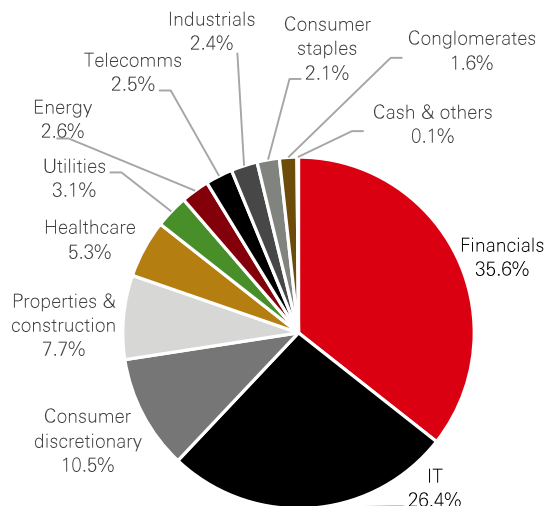
Source: Hang Seng Indexes Company Limited, as at 29 October 2021.

Cost efficiency in practice

- ◆ Our aim is to offer investors cost-efficient access to a solution that tracks the Hang Seng Index as closely as practicable
- ◆ As we recognise that the cost of investing and its impact on returns is in focus now more than ever, our Fund is amongst the cheapest ETFs in the market that offers exposure to the Hong Kong market³

Source: 1. Hang Seng Investment Management, data as of 29 October 2021. TER as of 31 December 2020. Tracking error: annualized based on the number of dealing days in the past year when daily Tracking difference is calculated. 2. Bloomberg, data as of 29 October 2021, NAV to NAV in HKD, total return with dividend (if any) reinvested. Calendar year return of the Fund: 2021 YTD: -4.61%; 2020:-0.48%; 2019: 12.64%; 2018: -10.69%; 2017: 40.46%; 2016: 3.86%. **Investment involves risk. Past performance is not indicative of future performance.** 3. Morningstar, EAA ETF Hong Kong Equity category, based on Net Expense Ratio as of 30 June 2021.
The Fund is managed by Hang Seng Investment Management Limited.

Asset allocation⁴



Fund details⁴

Tracking index	Hang Seng Index (total return, net of PRC withholding tax)
Inception date	13 September 2004
Base currency	HKD
Stock code	2833.HK (HKD counter) 82833.HK (RMB counter)
ISIN	HK2833027330 (HKD counter) HK0000252970 (RMB counter)
Holdings	60
AUM	HKD 44.52billion
Tracking difference ⁵	-0.09%
Tracking error ⁵	0.20%
Management fee	0.05% per annum
TER	0.11%
Dividend policy	Quarterly (if any)
Fund manager	Hang Seng Investment Management
Trustee	Cititrust Ltd

4. Source: Hang Seng Investment Management, as of 30 September 2021. TER as of 31 December 2020.
5. Rolling one year figure. Tracking error: annualized based on the number of dealing days in the past year when daily Tracking difference is calculated.

Key risks:

- ◆ **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.
- ◆ **Tracking Error Risk:** refer to 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.
- ◆ **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:** by investing in H-shares, red chips shares and P chips shares, the Fund is subject to the risks of investing in an emerging market including 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.
- ◆ **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:** 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 Equity Market Risk, Risk associated with investments in companies with weighted voting rights, Distribution Out of Capital or Effectively Out of Capital Risk, PRC Tax Risk, Reliance on Market Maker Risk, Reliance on the Same Group Risk. Please refer to the offer documents for further details including the risk factors.

Important information

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