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# **ABF HONG KONG BOND INDEX FUND**

**ABF香港創富債券指數基金**

(Stock Code : 2819)

Announcements

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## **TABLE OF CONTENTS**

<b>Particular</b>	<b>Date Submitted (D/M/Y)</b>
Announcement – Change to the dividend policy	28/12/2017
Announcement – Update of Prospectus	08/11/2017

**IMPORTANT**

**This document is important and requires your immediate attention. If you are in any doubt about the Prospectus and this Supplement, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.**

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**ABF HONG KONG BOND INDEX FUND**

**ABF 香港創富債券指數基金**

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))

**(Stock Code: 2819)**

**Announcement**

Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Prospectus.

HSBC Investment Funds (Hong Kong) Limited, as the Manager of ABF Hong Kong Bond Index Fund (the "**Trust**"), hereby announces a change in dividend policy to the Trust with effect from 29 January 2018 (the "**Effective Date**").

The Trust pays out income dividends and net realized capital gains to unitholders semi-annually within each distribution period. The Manager, with the approval of the Trustee, declares the amount available for distribution to unitholders according to the Manager's estimation of the amount of net income which should be distributed. In order to enhance the flexibility of the Manager in declaring dividend distribution based on such estimated amount, with effect from the Effective Date, the distribution of dividends of the Trust may be made out of income and/or net realized capital gains and/or capital at the Manager's discretion. Dividends may therefore impact investors' tax position and accordingly investors are encouraged to seek appropriate tax advice in relation to their investment. Investors should note that the payment of distributions out of capital represents a return or withdrawal of part of the amount they originally invested or from any capital gains attributable to the original investment. Any distributions involving payment of dividends out of a capital will result in an immediate reduction in the NAV. The composition of the latest dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) (if any) for the last 12 months is available from the Manager on request and on the website [www.assetmanagement.hsbc.com/hk](http://www.assetmanagement.hsbc.com/hk)<sup>1</sup>. The Manager may amend the dividend policy with respective distribution out of capital subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

This change is not intended to have a material impact on the Trust and will not materially prejudice the Trust's existing investors' rights or interests. The fee level /cost in managing the Trust will remain unchanged, and it is not intended that the overall risk profile of the Trust will change.

The costs and expenses incurred in connection with this change will be borne by the Manager.

The Prospectus and Product Key Facts of the Trust will be revised to reflect the above changes and posted on the Trust's website ([www.assetmanagement.hsbc.com/hk-ABF](http://www.assetmanagement.hsbc.com/hk-ABF)<sup>1</sup>) in due course.

The Manager of the Trust accepts responsibility for the accuracy of the information contained in this announcement. Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Investment Funds (Hong Kong) Limited  
Manager of ABF Hong Kong Bond Index Fund  
28 December 2017

*As at the date of this announcement, the board of directors of the Manager is comprised as follows: Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Ms. LAU, Ka Yin Joanne, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen.*

<sup>1</sup> Please note that this website has not been reviewed by the SFC.

**IMPORTANT**

If you are in any doubt about the Prospectus and this Supplement, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

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**ABF HONG KONG BOND INDEX FUND**

**ABF 香港創富債券指數基金**

(a Hong Kong unit trust authorised under section 104 of the Securities and Futures Ordinance  
(Chapter 571 of the Laws of Hong Kong))  
(**Stock Code: 2819**)

**Announcement**

Capitalised terms used herein shall, unless otherwise defined, have the same meanings ascribed to them in the Prospectus.

HSBC Investment Funds (Hong Kong) Limited, as the Manager of ABF Hong Kong Bond Index Fund (the "**Trust**"), hereby announces the following changes to the Trust with effect from 11 December 2017 (the "**Effective Date**"):

- (1) clarification of investment policies and strategies in relation to investments other than Index Securities;
- (2) lowering of the minimum Unit creation and redemption size;
- (3) availability to create and redeem Units in cash on any Dealing Day;
- (4) changes and clarifications to certain costs and expenses;
- (5) clarification of income equalisation policy;
- (6) amendments to the trust deed; and
- (7) other general updates.

**1. Clarification of investment policies and strategies in relation to investments other than Index Securities**

The investment policies and strategies of the Trust will be clarified in relation to investments into investments other than Index Securities that the Manager may also invest up to 20% of the Trust's NAV in investments other than Index Securities comprising:

- (a) securities which are not Index Securities ("**non-Index Securities**") as long as they are issued by an issuer of any Index Security and HK\$ denominated with a minimum issue size of HK\$250 million (or such other amount as determined by the Manager from time to time with the prior approval of the Trustee and the Supervisory Committee).
- (b) securities which qualified under the provisions of (a) at the point of investment but which no longer qualify but the Manager considers that retaining them is beneficial to meeting the investment objective. These investments may include government and quasi-government bonds as well as corporate bonds which may carry a greater degree of credit risk.

This clarification is not intended to have any impact on the Trust, and there is no change in the operation and/or manner in which the Trust is being managed. The overall risk profile of the Trust will not change due to this clarification.

**2. Lowering of the minimum Unit creation and redemption size**

In order to provide investors with greater flexibility, the minimum Unit creation and redemption size by Participating Dealers has been reduced from 250,000 Units to 50,000 Units ("**Creation Units**") from the Effective Date.

The overall risk profile of the Trust will not change due to this clarification.

**3. Availability to create and redeem Units in cash on any Dealing Day**

Currently, Units can be created and redeemed in Creation Unit aggregations in respect of the Trust on any Cash Dealing Days for cash at the Subscription Value (calculated on a per Unit basis if applicable). A "**Cash Dealing Day**" is (i) any Dealing Day immediately following the day on which the Stock Exchange's nominal closing price for the Units traded on the Stock Exchange is at a 5% premium (or such lower percentage as the Manager determines from time to time with the prior approval of the Trustee and the Supervisory Committee) or more above the NAV of a Unit; (ii) the last Normal Business Day of the month (but if such day is not a Dealing Day, the Dealing Day immediately following the last Normal Business Day of the month). "**Normal Business Day**" means any day that is a Business Day and any day that, but for the occurrence of any tropical cyclone warning signal number 8 or above or "black" rainstorm warning signal in Hong Kong (or any warning or signal considered by the Trustee to be similar in effect), would have been a Business Day; and (iii) each Dealing Day during the period commencing on the date Units are first issued and ending ten business days after the date on which Units are listed on the Stock Exchange.

From the Effective Date, Units will be available for creation and redemption in Creation Units for any Dealing Day for cash at the Subscription Value (calculated on a per Unit basis if applicable). A "**Dealing Day**" is each Business Day during the continuance of the Trust and/or such other day or days as the Manager may from time to time determine with the prior approval of the Trustee.

The overall risk profile of the Trust will not change due to this change.

#### 4. Changes and clarifications to certain costs and expenses

With effect from the Effective Date, certain fees and expenses payable by Participating Dealers (on behalf of investors) when creating and redeeming Units will be changed as follows:

##### Creation of Units

Fee/ Expenses	Before the Effective Date	From the Effective Date onwards
Transaction Fee	HK\$10,000 per transaction	Maximum HK\$10,000 per transaction*
Other Duties & Charges	For partial in-kind creation – 35 bp of the cash payment in lieu of Deposit Securities.	For partial in-kind creation – Maximum 100 bp of the cash payment in lieu of Deposit Securities.*
	For cash creation – i) 20 bp of the cash payment in respect of cash creations on a Cash Dealing Day if such day is the last Normal Business Day (as defined in the section headed "Creation of Units – Cash Creation") of the month or if such last Normal Business Day is not a Dealing Day, the Dealing Day immediately following the last Normal Business Day of the month. ii) 25 bp of the cash payment in respect of cash creations on a Cash Dealing Day other than the day mentioned in (i) above.	For cash creation – Maximum 100 bp of the cash payment in respect of cash creations on a Dealing Day.*

\*A lower level of transaction fee/ duties and charges may be charged at the discretion of the Manager.

##### Redemption of Units

Fee/ Expenses	Before the Effective Date	From the Effective Date onwards
Transaction Fee	HK\$10,000 per transaction	Maximum HK\$10,000 per transaction*

\*A lower level of transaction fee may be charged at the discretion of the Manager.

The maximum rate may be increased by the Manager as long as not less than one month's notice of the increase will be given to Participating Dealers and investors, subject to the SFC's approval. Currently, there are no duties and charges payable in respect of a redemption of Units in cash or in-kind.

##### Licence Fee

In addition, it is clarified that the Licence Fee payable to the Index Provider will be amended from up to 0.023% per annum of the Trust's NAV (subject to a minimum charge of US\$42,044 per annum) to up to 0.0175% per annum of the Trust's NAV (subject to a minimum charge of US\$33,636 per annum). Please note that this change is made for clarification only and there will be no change in the fees payable by the Trust.

##### Other Duties and Charges

The Other Duties and Charges aim to offset the dilution impact to the Trust caused by the transaction costs (e.g. bid-offer spread) associated with Investment Adviser purchasing additional assets when an investor pays for Creation Units in cash (in part or in whole). As such the proceeds of the duties and charges are entirely for the benefit of the Trust. The changes outlined above will grant the Manager flexibility to periodically set the level of the Other Duties and Charges with reference to actual market conditions and therefore better achieve its aim to offset the dilution impact and protect investors. The costs incurred in connection with this change will not be borne by the Trust but will be solely borne by the Manager.

#### 5. Clarification of income equalisation policy

The income equalisation policy of the Trust, which aims to mitigate the effects of subscriptions and redemptions during the financial year on the level of accrued income, will be clarified to disclose that the Manager may from time to time at its discretion operate an income equalisation account. The effect being that, if an investor subscribes during the accounting period, the subsequent dividend will include a portion representing a return of capital on the original investment.

This clarification is not intended to have any impact on the Trust, and there is no change in the operation and/or manner in which the Trust is being managed. The overall risk profile of the Trust will not change due to this clarification.

#### 6. Amendments to the trust deed

With effect from the Effective Date, the trust deed of the Trust (the "**Trust Deed**") will be amended and superseded by way of an amended and restated Trust Deed ("**Amended and Restated Trust Deed**"). The Amended and Restated Trust Deed also contains other ancillary amendments. A summary of the key amendments made to the Trust Deed by way of the Amended and Restated Trust Deed is as follows:

- (a) deletion of the definition "Cash Dealing Day" in sub-clause 1.1 and to corresponding amendments to reflect item (3) above;
- (b) amendments to consolidate the definition of "Income Property" for clarificatory purpose, including (i) updates to the definition "Income Property" in sub-clause 1.1 to refer to sub-clause 17.1 and (ii) amendments to sub-clause 17.1 to consolidate the definition of "Income Property" with the previous sub-clauses 19.2 and 19.4;
- (c) amendments to previous sub-clause 18.1.1<sup>^</sup> and 18.2.1<sup>^</sup> to provide that the Trustee on the instruction of the Manager shall allocate and distribute respectively among the Unitholder rateably in accordance with the number of Units held by them respectively the lower of (a) all or substantially all of distributable amount and (b) an amount equal to the average Value of the Trust multiplied by the average yield of the iBoxx Hong Kong Index. The Manager is of the view that the revision to the dividend methodology provides a better estimation of the affected part of the equation which estimates the amount of yield the Trust actually experienced over the Distribution Period;
- (d) insertion of a new definition "Distributable Amount" in sub-clause 1.1 and amendments to clauses 18 and 19 to reflect the new definition; and
- (e) insertion of sub-clauses 25.8 and 27.26 to reflect that for so long as the Trust is an authorized by the SFC pursuant to section 104 of the Securities and Futures Ordinance, section 41O of the Trustee Ordinance shall not apply to the extent that it is inconsistent with the Trustee's duties and responsibilities under the SFC Handbook for Unit Trusts and Mutual Funds, Investment-Linked Assurance Schemes and Unlisted Structured Investment Products (the "SFC Handbook"), and nothing in the Trust Deed shall in any way operate to exempt or diminish any liability of the Trustee and the Manager, in order to better comply with the requirements of the SFC Handbook and conform with the key provisions as set out in Section 5 of Annex 1 to the SFC's Guide on Practices and Procedures for Application for Authorization of Unit Trusts and Mutual Funds.

The amendments described above are in summary form only and are not meant to be an exhaustive list of the amendments made to the Trust Deed. Investors should note that there are other ancillary amendments to the Trust Deed as amended and as such, should review the Amended and Restated Trust Deed for further details on the amendments made. The Amended and Restated Trust Deed may be inspected free of charge at the office of the Manager.

Pursuant to Clause 31.8 of the Trust Deed of the Trust, the trustee of the Trust, HSBC Institutional Trust Services (Asia) Limited, with the consent of the Supervisory Committee of the Trust, has certified that in its opinion the alteration, modification or variation to the Trust Deed is not materially prejudicial to the interest of the Unitholders, does not to any material extent release the Trustee, the Manager or any other person from any liability to Unitholders and does not increase the costs and charges payable out of the Trust (other than costs incurred in altering, modifying or varying the Trust Deed).

The costs incurred in connection with the amendments of the Trust Deed will not be borne by the Trust but will be solely borne by the Manager.

<sup>^</sup> In addition to the other amendments clause 18 and clause 19 have been switched to improve readability of the overall Trust Deed. Consequently, references to the previous clause 18 and its sub-clauses will become clause 19 and its sub-clauses (and vice versa) on the Effective Date.

## **7. Other General Updates**

In addition, there are also general updates in the disclosures regarding, among others, liquidity risk management, risk management policy, listing status, HSBC Group policies, taxation, conflict of interests, top 10 largest constituent securities of the Underlying Index and selling restrictions.

The above changes will not materially prejudice the rights or interests of investors of the Trust.

The Prospectus and Product Key Facts of the Trust will be revised to reflect the above changes and posted on the Trust's website ([www.assetmanagement.hsbc.com/hk-ABF](http://www.assetmanagement.hsbc.com/hk-ABF)) in due course.

The Manager of the Trust accepts responsibility for the accuracy of the information contained in this announcement. Investors who have any questions regarding the above may contact the Manager at Level 22, HSBC Main Building, 1 Queen's Road Central, Hong Kong (telephone number: (852) 2284 1229).

HSBC Investment Funds (Hong Kong) Limited  
 Manager of ABF Hong Kong Bond Index Fund  
 8 November 2017

*As at the date of this announcement, the board of directors of the Manager is comprised as follows: Mr. BERRY, Stuart Glenn, Mr. BOTELHO BASTOS, Pedro Augusto, Ms. LAU, Ka Yin Joanne, Dr. MALDONADO-CODINA, Guillermo Eduardo and Mr. TAM, Chun Pong Stephen.*