IMPORTANT RISK WARNINGS

- This document is for general information and reference only. Investors should not only base on this alone to make investment decisions.
- This document is not, and is not intended to be, a solicitation, recommendation, or advice on any funds. In particular, the methodology used in selecting funds to be included in this document does not take into account the individual circumstances of any customers.
- Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance information presented is not indicative of future performance.
- Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision.
- The above only sets out some of the important risks that investors should take note of, please refer to the “Other Important Risk Warnings” section and “Attention” section below for other important risks.
- This document has not been reviewed by the Securities and Futures Commission in Hong Kong (the “SFC”).

This “Fund Watch List” is prepared by the Investment Advisory Team (the “Team”) of Hang Seng Investment Services Limited (“HSIS”), a fully owned subsidiary of Hang Seng Bank Limited (the “Bank”).

The Bank distributes investment funds which cover different regions and asset classes. On a regular basis, the Team of HSIS will review the investment funds based on the following selection process and will come up with a shortlist of funds that the Team expects to perform in line with relevant major global equities and global fixed income benchmarks in the long run.

Methodology

The Team establishes investment market views based on:

- The Team’s internal forecasts and analysis of the macro economic data through gathering and analyzing information from different sources including, but not limited to, third party research reports, market data and other documents with public or authorized access.
- Market valuations of different asset classes (i.e. equities, fixed income, and mixed assets etc.)
- Other considerations including a variety of factors, such as political and policy environments, fund flows and liquidity, industry and business fundamentals.
- Representative geographical focuses, including, but not limited to, Global, US, Europe, Asia Pacific, Emerging Market, Mainland China and Hong Kong etc. on which the above considerations are applicable.

The views are meant to be interpreted as a high level overview of current economic data and market environments to reflect long term expected returns. They are formulated based on information available at the time of preparation.

The Team will express the views about the asset classes as “Positive (+)”, “Neutral (=)”, and “Cautious (-)”. The next step involves identifying potential funds to be included in the “Fund Watch List”. At this stage, only the funds that are related to the asset classes with “Positive” or “Neutral” views are selected while the funds related to “Cautious” view are excluded.

Positive (+)
The Team holds the view(s) that the particular asset class potentially may perform well relative to the relevant major global benchmark(s) in the long run.

Neutral (=)
The Team holds the view(s) that the particular asset class potentially may perform in line relative to the relevant major global benchmark(s) in the long run.

Cautious (-)
The Team holds the view(s) that the particular asset class potentially may not perform well or in line relative to the relevant major global benchmark(s) in the long run.

@The relevant benchmarks include those that are publicly known and recognized global indices which cover major asset classes as determined by HSIS.
Finally, from the funds resulted from the steps above, a number of funds distributed by the Bank that are authorized by the SFC will be selected.

SFC authorization is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

Following the quantitative reviews, qualitative evaluations and comparisons of those funds among the peers with same asset classes, the Team will conclude with a list of funds to be included in the latest "Fund Watch List".

- **Quantitative factors**
  include but not limited to fund performances, sizes, volatilities, maximum drawdowns, dividend distributions, management fees and ratings assigned or awards given by third-party fund research agencies, etc.

- **Qualitative evaluations**
  include but not limited to interviews with the fund companies regarding the fund’s investment scope, investment style and philosophy, considerations of the reputations / track records of the fund managers and the fund companies, and taking into account of ESG (Environmental, Social, Governance) policies and disclosures of the fund companies, etc.

The inclusion of a fund in the “Fund Watch List” does not suggest that the fund is suitable for any particular investor, nor that it will continue to perform as it has in the past. Such information is for general information and reference only.
**“Fund Watch List” Performance (as of 27-02-2020)**

The order of which the funds are displayed in the table is first by their respective Risk Level in an ascending order and secondly, by the alphabetical order of their Fund Name.

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Fund Code</th>
<th>Class Code</th>
<th>Inception Date</th>
<th>Total Net Asset (USD, mil)</th>
<th>Return% (by Class Currency)</th>
<th>Risk Level</th>
<th>Fund Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLACKROCK GLOBAL FUNDS - GLOBAL MULTI ASSET INCOME FUND CLASS A6 (USD MONTHLY DISTRIBUTING-CASH)</td>
<td>U44520</td>
<td>USD</td>
<td>28-06-2012</td>
<td>7,931.58</td>
<td>-0.73 13.45 -4.94 8.68 5.34 -2.40</td>
<td>2</td>
<td>Equity/Bond Balanced</td>
</tr>
<tr>
<td>FIDELITY FUNDS - ASIAN BOND FUND CLASS A SHARES (USD MINCOME(G)-CASH)</td>
<td>U44815</td>
<td>USD</td>
<td>03-03-2016</td>
<td>1,461.85</td>
<td>2.80 14.30 -3.43 4.18 1.93</td>
<td>--</td>
<td>Asian &amp; Emerging Market Bond</td>
</tr>
<tr>
<td>JANUS HENDERSON BALANCED FUND CLASS A SHARE (USD MONTHLY INC-CASH)</td>
<td>U44563</td>
<td>USD</td>
<td>01-10-2013</td>
<td>3,983.03</td>
<td>-3.34 20.03 -0.90 16.47 3.04 -0.58</td>
<td>2</td>
<td>Equity/Bond Balanced</td>
</tr>
<tr>
<td>HSBC ASIAN HIGH YIELD PORTFOLIO CLASS AA SHARES (USD MONTHLY DISTRIBUTION-CASH)</td>
<td>U45038</td>
<td>USD</td>
<td>09-01-2014</td>
<td>29,928.72</td>
<td>1.53 12.31 -1.11 4.73 7.73</td>
<td>-2.57</td>
<td>Global Bond</td>
</tr>
<tr>
<td>FIDELITY FUNDS - AMERICAN GROWTH FUND CLASS A SHARES (USD DIST)</td>
<td>U42017</td>
<td>USD</td>
<td>30-06-1997</td>
<td>778.84</td>
<td>-4.25 34.95 -5.27 20.87 5.34</td>
<td>-0.05</td>
<td>US Equity</td>
</tr>
<tr>
<td>JPM INCOME A (MTH) (USD-CASH)</td>
<td>U44985</td>
<td>USD</td>
<td>19-12-2014</td>
<td>5,946.67</td>
<td>1.50 11.37 0.38 6.14 7.87</td>
<td>-1.47</td>
<td>Global Bond</td>
</tr>
<tr>
<td>SCHRODER ASIAN ASSET INCOME FUND CLASS A (USD MONTHLY DIS CASH)</td>
<td>U44376</td>
<td>USD</td>
<td>27-06-2011</td>
<td>34,217.73</td>
<td>-2.02 12.14 -5.27 13.21 6.42</td>
<td>-3.41</td>
<td>Equity/Bond Balanced</td>
</tr>
<tr>
<td>UBS (LUX) KEY SELECTION SICAV - CHINA ALLOCATION OPPORTUNITY (P USD MDIS-CASH)</td>
<td>U44974</td>
<td>USD</td>
<td>08-06-2015</td>
<td>801.41</td>
<td>-0.27 27.00 -10.91 25.84 2.07</td>
<td>-11.61</td>
<td>Equity/Bond Balanced</td>
</tr>
<tr>
<td>AB FCP I - GLOBAL HIGH YIELD PORTFOLIO CLASS AA SHARES (USD MONTHLY DISTRIBUTION-CASH)</td>
<td>U45038</td>
<td>USD</td>
<td>09-01-2014</td>
<td>21,861.90</td>
<td>-0.61 13.42 -5.47 7.32 13.91</td>
<td>-5.25</td>
<td>High Yield Bond</td>
</tr>
<tr>
<td>FIRST STATE ASIAN GROWTH FUND CLASS I (USD ACC)</td>
<td>U44704</td>
<td>USD</td>
<td>05-08-1999</td>
<td>527.00</td>
<td>-5.49 15.58 -4.54 24.33</td>
<td>-1.10</td>
<td>-2.40</td>
</tr>
<tr>
<td>HANG SENG CHINA A INDUSTRY TOP INDEX FUND CLASS A (HKD HEDGED-ACC)</td>
<td>U44911</td>
<td>HKD</td>
<td>26-04-2018</td>
<td>19.56</td>
<td>-3.59 34.34 -17.00</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>HSBC ASIAN HIGH YIELD BOND FUND CLASS AM2 (USD MONTHLY DISTRIBUTION-CASH)</td>
<td>U44374</td>
<td>USD</td>
<td>20-05-2011</td>
<td>906.03</td>
<td>1.90 14.33 -3.29 6.79</td>
<td>9.97</td>
<td>1.70</td>
</tr>
<tr>
<td>JPMORGAN ASIA GROWTH (USD ACC)</td>
<td>U43983</td>
<td>USD</td>
<td>14-05-2007</td>
<td>467.10</td>
<td>-4.16 26.77 -12.86 55.52 4.06</td>
<td>-5.86</td>
<td>Asia Pacific Equity – Regional</td>
</tr>
<tr>
<td>ALLIANZ GLOBAL ARTIFICIAL INTELLIGENCE CLASS AT ACC (USD)</td>
<td>U44940</td>
<td>USD</td>
<td>31-03-2017</td>
<td>1905.33</td>
<td>1.80 29.90 7.40 18.50</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>JPM US TECHNOLOGY A (DIST) (USD)</td>
<td>U44755</td>
<td>USD</td>
<td>05-12-1997</td>
<td>1531.77</td>
<td>0.42 41.25 3.63 45.96</td>
<td>5.60</td>
<td>6.68</td>
</tr>
<tr>
<td>UBS (LUX) EQUITY FUND - CHINA OPPORTUNITY (P USD MDIS)</td>
<td>U44888</td>
<td>USD</td>
<td>19-01-2015</td>
<td>9799.95</td>
<td>0.91 41.57 -14.83 59.70</td>
<td>-2.30</td>
<td>17.65</td>
</tr>
</tbody>
</table>

Source: Data under Class Currency, Inception Date, Total Net Asset (USD, mil), Return% (by Class Currency) are as of 27-02-2020 provided by Morningstar Asia Limited. The Risk Level to a fund is assigned by Hang Seng Bank Limited, data as of 27-02-2020.

For funds marked with ¹,²,³,⁴,⁵ under Fund Name:

¹ For 1, refer to details of Explanatory Notes - note 1 on page 4.
² For 2, refer to details of Explanatory Notes - note 2 on page 4.
³ For 3, refer to details of Explanatory Notes - note 3 on page 4.
⁴ For 4, refer to details of Explanatory Notes - note 4 on page 4.
⁵ For 5, refer to details of Explanatory Notes - note 5 on page 4.
Explanatory Notes (Part 1 of 2):

note 1:
Fund(s) marked with “note 1”, where applicable, in this “Fund Watch List” may invest extensively in financial derivative instruments, thus subject to higher volatility as well as higher credit/counterparty and liquidity risks. Investing in these funds will involve a higher risk of loss of all, or substantial part, of the capital invested.

note 2:
In order to comply with the requirement in relation to investor characterization as set out by the Securities and Futures Commission in Hong Kong (the “SFC”), Hang Seng Bank Limited (the “Bank”) only accepts customers who have been characterized by the Bank as having general knowledge of the nature and risks of derivatives to subscribe for fund(s) marked with “note 2”, where applicable, in this “Fund Watch List”. Those are funds with net exposure relating to financial derivative instruments (“net derivative exposure”) that exceeds 50% of its total asset value calculated based on the commitment approach, and excluding any “hedging purpose”.

note 3:
Fund(s) marked with “note 3”, where applicable, in this “Fund Watch List” are Complex Products as defined under the SFC’s Guidelines on Online Distribution and Advisory Platforms and investors should exercise caution in relation to such fund(s).

note 4:
Fund(s) marked with “note 4”, where applicable, in this “Fund Watch List” are index funds and the risks for index funds include but not limited to:

Tracking error risk:
There can be no assurance that the performance of the relevant fund will be identical to the performance of the relevant index. Factors such as the fees and expenses borne by the relevant fund, the time differences associated with portfolio re-balancing, the prices at which the constituent stocks of the relevant index are acquired or disposed by the relevant fund, the market condition at the relevant time of acquisition or disposal, the index-tracking strategies or financial derivative instruments used will affect the performance of such fund relative to the relevant index.

Passive investment risk:
Fund manager does not have any discretion to select stocks individually or to take defensive positions in declining markets or changes in the composition of the index. Hence, any fall in the relevant index will result in corresponding fall in the value of the relevant fund. The composition of the relevant index may change and stocks currently comprising the relevant index may subsequently be delisted. Other stocks may also be added subsequently to become constituent stocks of the relevant index.

Concentration risk:
The relevant fund may be concentrated in a single or particular sector(s) or single country/region. The performance of the relevant fund could depend substantially on the performance of the relevant single or particular sector(s)/market(s) and the relevant fund is likely to be more volatile than a broad-based fund as it is more susceptible to adverse conditions in the relevant single or particular sector(s) / market(s). In seeking to reflect the weightings of constituent stocks of the relevant index, investments of the relevant fund may be concentrated in a single constituent stock or several constituent stocks. The performance of the relevant index and the fund may be significantly affected by the price fluctuation of one or several of the constituent stocks of the relevant index.

note 5:
Fund(s) marked with “note 5”, where applicable, in this “Fund Watch List” are index leveraged funds and the risks for index leveraged funds include but not limited to:

The relevant fund is very different from an index-tracking fund. The performance of the relevant fund is magnified (either in an upward or downward market) as compared with that of the relevant index because of the use of leverage and effects of compounding. Due to the relevant fund's leveraged exposure to the relevant index, a fall in the value of the relevant index will trigger a greater and accelerated fall in the net asset value of the relevant fund.

With leverage being used, the relevant fund is exposed to a greater risk of loss arising from adverse movements in the relevant index. Therefore, investors should monitor their investment in the relevant fund frequently (or even daily during periods of volatility). The relevant fund is not suitable for retail investors who would like to adopt the traditional buy-and-hold strategy.
Explanatory Notes (Part 2 of 2):

i. Fund Code:

Fund code is for reference only. A different fund code may be displayed on client’s contract note if the fund is subscribed through the “Hang Seng Monthly Investment Plan for Funds” or is linked to a loan facility.

ii. Inception Date:

The date on which the fund began its operations.

iii. Return:

- In respect of each relevant fund, the returns were calculated based on the class currency of the relevant fund stated in the column “Class Currency” and the NAV price of the relevant fund, based on the principle of NAV-to-NAV with reinvestment of all dividends (if any) received from the relevant fund. As regards whether Morningstar Asia Limited has taken into account the dividends of the relevant fund in the calculation of the returns, only dividend information which was made available on 27-02-2020 when it calculates the returns for the relevant fund will be included.
- For any year’s percentage return, if the inception date of the relevant fund is after the 31st December of the previous year, the percentage return for the year will be calculated from its inception date to the end of that year.
- YTD return – This is the percentage return for the period from 31-12-2019 to 27-02-2020, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020.
- Year 2019 return – This is the percentage return for the period from 31-12-2018 to 31-12-2019, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020. If the inception date of the relevant fund is after 31-12-2018, this is the percentage return for the period from its inception date to 31-12-2019.
- Year 2018 return – This is the percentage return for the period from 31-12-2017 to 31-12-2018, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020. If the inception date of the relevant fund is after 31-12-2017, this is the percentage return for the period from its inception date to 31-12-2018.
- Year 2017 return – This is the percentage return for the period from 31-12-2016 to 31-12-2017, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020. If the inception date of the relevant fund is after 31-12-2016, this is the percentage return for the period from its inception date to 31-12-2017.
- Year 2016 return – This is the percentage return for the period from 31-12-2015 to 31-12-2016, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020. If the inception date of the relevant fund is after 31-12-2015, this is the percentage return for the period from its inception date to 31-12-2016.
- Year 2015 return – This is the percentage return for the period from 31-12-2014 to 31-12-2015, calculated by Morningstar Asia Limited based on the information captured by it on 27-02-2020. If the inception date of the relevant fund is after 31-12-2014, this is the percentage return for the period from its inception date to 31-12-2015.

iv. Risk Level:

The Risk Level (1 = Low Risk, 2 = Low to Medium Risk, 3 = Medium Risk, 4 = Medium to High Risk, 5 = High Risk) is assigned to a fund by the Bank based on the Bank’s internal assessment of various factors, including but not limited to, the risk level of the Investment Market Sector that the fund belongs to, volatility of the fund, market conditions, investment objective and investment strategy of the fund, etc., and is for general information and reference only. The Risk Level assigned to a fund will be assessed semi-annually and the effective date of the Risk Level resulted from the last semi-annual assessment is 30-11-2019. The Bank may revise the Risk Level assigned to a fund from time to time without any prior notice. The Risk Level of a fund that is recently added to the Bank’s platform is assigned as of the date the fund is added. The information in connection with risk level is compiled by the Bank with reference to sources which the Bank believes to be reliable.

v. Fund Category:

Fund Category is as of 27-02-2020. For the full classification of Fund Category, please refer to https://www.hangseng.com/en-hk/fundsupermart/advancedsearch/perf/
OTHER IMPORTANT RISK WARNINGS

- In general, the investments of a fund which involve financial derivative instruments are subject to, among other risks, counterparty and credit risks of the counterparties and/or issuers of such investments. The insolvency of and/or default in payment by a counterparty/an issuer in a transaction with the fund would adversely affect the value of the fund's assets and the fund's ability to meet its payment obligations.

- Funds investing in emerging markets involve special considerations and higher risks. Not all emerging markets are regulated, the regulatory and legal framework may be less developed and there may be economic, social and political instabilities, etc. Such markets may be more volatile than the developed markets. Compared with other types of funds, the investment of emerging market funds is less diversified and thus such type of fund may be more volatile. Currency fluctuation may also adversely affect the value of the fund's investment. Investors should also note the risks of concentration of investment in a single country/market.

- The returns are denominated in relevant fund currency (which may be foreign currency). US/HK dollar-based investors may therefore be exposed to fluctuations in the US/HK dollar/foreign currency exchange rate.

- The inclusion of a fund in this "Fund Watch List" does not suggest that the fund is suitable for you, nor that it will continue to perform as it has in the past. Such information is for general information and reference only. There can be no assurance that an investor will achieve any return on an investment in a fund or a return on the capital invested. Investors should not invest in a fund unless they fully understand and are willing to take the various risks associated with the fund's underlying investments (which may expose the fund to significant losses in terms of income as well as principal), and have the financial resources necessary to bear the risk of substantial, or even total, loss of the capital invested.

- Investors should avoid excessive investment (in terms of its proportion in the overall investment portfolio) in any single type of investment, including any proposed investment in the relevant fund, so as to avoid the investment portfolio being over-exposed to any particular investment risk.

- Investors should note that all investments involve risks (including the possibility of loss of the capital invested), prices of fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision.
ATTENTION:

In respect of investment funds distributed by Hang Seng Bank Limited (the “Bank”) and made available to retail investors in Hong Kong, the Bank is acting as agent. The investment funds distributed by the Bank are provided by various fund houses, including but not limited to the Bank’s affiliates, HSBC Global Asset Management (Hong Kong) Limited and HSBC Jintrust Fund Management Company Limited, and the Bank’s wholly owned subsidiary Hang Seng Investment Management Limited (“HSVM”).

- The Bank and/or its affiliates / subsidiaries including Hang Seng Investment Services Limited (“HSIS”) may have an interest in the investment funds distributed by the Bank, and may be providing advice or investment services in relation to such funds.

- The Bank is NOT an independent intermediary because:
  (i) the Bank receives fees, commissions, or other monetary benefits from other parties (which may include product issuers) including HSVM in relation to the Bank’s distribution of investment funds. For details, investors should refer to the Bank’s disclosure on monetary benefits; and/or
  (ii) the Bank receives non-monetary benefits from other parties including HSVM, or have close links or other legal or economic relationships with issuers of products that the Bank may distribute.

- The full list of investment funds distributed by the Bank and the relevant fund’s offering documents can be obtained at its branches and www.hangseng.com.

- Unless otherwise specified, the funds included in this document have been authorized by the Securities and Futures Commission in Hong Kong (the “SFC”) (data as of 27-02-2020). SFC authorization is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

- This document is not, and is not intended to be, a solicitation, recommendation, or advice to invest in any investment funds, and is for general information and reference only.

- The Bank acts as a distributor of the funds referred to in this document (which represents a proportion of all the funds for which the bank acts as distributor). The Bank receives remuneration and annuity income for the funds that it distributes.

- All information on the fund performances and the statistical data contained herein is provided by Morningstar Asia Limited and is for general information and reference only. HSIS, Morningstar Asia Limited and the Bank endeavor to ensure the accuracy and reliability of the information, but do not guarantee the accuracy or reliability of the information and accept no liability (whether in tort or contract or otherwise) for any loss or damage arising from any inaccuracies or omission. Where the information related to investment funds is sourced externally (as disclosed), the Bank has reasonable belief that such information is accurate, complete and up-to-date. Investors should make their own assessment as to the relevancy, accuracy and adequacy of the information, and make such independent investigations as they may consider necessary or appropriate for the purpose of such assessment.

All investments involve risks. The information is for your reference only and does not constitute any offer or solicitation to enter into any investment arrangement. Past performance is not indicative of future performance. You should refer to relevant investment offering documents for detailed information prior to investing in any investment option.

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