IMPORTANT RISK WARNINGS/FUND INFORMATION FOR INVESTORS

- The investment objective of HSI ESG Enhanced Select Index ETF (“HSI ESG ETF”) is to match, as closely as practicable, before fees and expenses, the HKD denominated total return performance (net of withholding tax) of the HSI ESG Enhanced Select Index (the "Index") through investing primarily in the constituent securities of the Index.

- As “HSI ESG ETF” invests in a new index having only been launched on 29 November 2021. As such, HSI ESG ETF may be riskier than other index funds tracking more established indices with longer operating history.

- As the use of ESG criteria in the construction of the Index may affect the HSI ESG ETF’s investment performance and, as such, the HSI ESG ETF may perform differently compared to similar funds that do not use such criteria, i.e. HSI ESG ETF may be concentrated in companies with a greater ESG focus and therefore may be more volatile than that of a fund with having a more diverse portfolio of investments. Moreover, there can be no assurance that the Index Provider’s assessment based upon data from data providers will reflect actual circumstances or that the stocks selected will fulfill ESG criteria. Since currently there is a lack of standardised taxonomy in relation to ESG investing strategies, the standard of disclosure adopted by funds in relation to the relevant ESG factors or principles may vary.

- “HSI ESG ETF” is also subject to investment risk, equity market risk, concentration and mainland market risks, risks associated with investments in companies with weighted voting rights, risks associated with investment in financial derivative instruments, PRC tax risk, trading risks, passive investment risks, reliance on market maker risks, tracking error risks, termination risks and reliance on the same group risk.

- The Manager may at its discretion pay dividend out of capital or effectively out of the capital of HSI ESG ETF. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor’s original investment or from any such capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit.

- Investments involve risks and investors may lose substantial part of their investment in “HSI ESG ETF”.

^ The Manager may at its discretion pay distribution out of gross income while charging/paying all or part of HSI ESG ETF’s fees and expenses to/out of the capital of HSI ESG ETF (resulting in an increase in distributable income for the payment of distribution by HSI ESG ETF), and thereby effectively pay distributions out of the capital of HSI ESG ETF.

Investors should not only base on this material alone to make investment decisions, but should read the HSI ESG ETF’s offering documents (including the full text of the risk factors stated therein) in detail.
Hang Seng Investment Launches HSI ESG Enhanced Select Index ETF

First SFC-authorized ESG ETF based on Hang Seng Index

As consideration of environmental, social and governance (‘ESG’) issues becomes an increasingly important part of decision-making among investors, Hang Seng Investment Management Limited (‘Hang Seng Investment’) is further enriching its portfolio of ESG-focused investment products with the launch of the HSI ESG Enhanced Select Index ETF (‘HSI ESG ETF’), which will be listed on the Hong Kong Stock Exchange (Stock Code: 3136.HK) on 24 February 2022 (Thursday). This will be the first SFC-authorized ESG ETF based on Hang Seng Index.

Investing in funds that aim to capture potential financial returns while also considering social and environmental issues is rapidly gaining traction in the investment community. At the end of 2021, the market’s global assets under management in sustainable funds was US$2.7 trillion. and the assets under management in sustainable funds in Asia (ex-Japan) had reached an all-time-high of US$63.2 billion, resulting in around 70% growth than that in 2020.

The HSI ESG Enhanced Select Index ETF will start its initial offering today (21 February) with initial price at HK$15 per unit with a board lot size of 100 units. It will be listed for trading on 24 February 2022 (Thursday). The management fee is 0.08% per annum. The estimated ongoing charges per year will be 0.20% and the estimated annual tracking difference is -0.25%.

The HSI ESG Enhanced Select Index (‘Index’) applies key ESG principles to the Hang Seng Index through the application of the screening according to ESG risk ratings from Sustainalytics (‘ESG Risk Rating’), United Nations Global Compact Principles (‘UNGC’) and controversial product involvement to the constituents of the Hang Seng Index, and Index constituents are then weighted with adjustments made in accordance with their tilting factors based on the ESG Risk Ratings assigned to each company. The Index tracks the overall performance of the Hong Kong stock market combined with ESG initiatives from an international lens (i.e. by applying internationally recognised ESG principles, data, research and ratings).

more…
Hang Seng Investment Launches HSI ESG Enhanced Select Index ETF / 2

Rosita Lee, Head of Investment Product and Advisory Business at Hang Seng Bank, and Director and Chief Executive Officer at Hang Seng Investment, said: “Sustainable investing is a rapidly growing investment trend in markets around the world, including Asia. Hang Seng Bank’s fund distribution business also records strong growth in this area, with the assets under management (‘AUM’) in ESG funds grew by over 700% year-on-year in 2021, demonstrating investors’ strong demand in ESG investment solutions.

“Our new HSI ESG Enhanced Select Index ETF not only expands the breadth of our ETF portfolio, but is also an excellent example of how to support improved ESG performance among listed companies by making it a tangible and attractive investment opportunity for both institutional and individual investors. They can capture risk-adjusted returns from the performance of companies that actively pursue high ESG standards. Moving forward, we will continue to incorporate ESG concepts into our product development to meet the growing demand from different types of investors,” Rosita Lee added.

more…
Hang Seng Investment Launches HSI ESG Enhanced Select Index ETF / 3

Key Features of HSI ESG Enhanced Select Index ETF (3136.HK)

<table>
<thead>
<tr>
<th>Stock Code</th>
<th>3136.HK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Objective</strong></td>
<td>To match, before fees and expenses, as closely as practicable the total return performance (net of withholding tax) of the HSI ESG Enhanced Select Index (the ‘Index’) through investing primarily in the constituent securities of the Index.</td>
</tr>
<tr>
<td><strong>Underlying Index</strong></td>
<td>HSI ESG Enhanced Select Index</td>
</tr>
<tr>
<td><strong>Listing Date</strong></td>
<td>24 February 2022</td>
</tr>
<tr>
<td><strong>Management Fee</strong></td>
<td>0.08% p.a.</td>
</tr>
<tr>
<td><strong>Trading Currency and Base Currency</strong></td>
<td>HKD</td>
</tr>
<tr>
<td><strong>Ongoing Charges over a Year</strong></td>
<td>0.20%</td>
</tr>
<tr>
<td><strong>Trading Board Lot Size</strong></td>
<td>100 units</td>
</tr>
<tr>
<td><strong>Initial Issue Price</strong></td>
<td>HK$15 per unit</td>
</tr>
<tr>
<td><strong>Dividend Policy</strong></td>
<td>Quarterly cash distributions (if any) at the discretion of the Manager</td>
</tr>
<tr>
<td><strong>Estimated Annual Tracking Difference</strong></td>
<td>-0.25%</td>
</tr>
<tr>
<td><strong>Trustee</strong></td>
<td>Cititrust Limited</td>
</tr>
<tr>
<td><strong>Promoted by</strong></td>
<td>Hang Seng Investment Management Limited and HSBC Global Asset Management (Hong Kong) Limited</td>
</tr>
<tr>
<td><strong>Managed by</strong></td>
<td>Hang Seng Investment Management Limited</td>
</tr>
</tbody>
</table>

more…
Hang Seng Investment Launches HSI ESG Enhanced Select Index ETF / 4

Note:

1. Securities and Futures Commission of Hong Kong (“SFC”) authorization is not a recommendation or endorsement of the HSI ESG Enhanced Select Index ETF “HSI ESG ETF” nor does it guarantee the commercial merits of this ETF or its ESG attributes or related performance. It does not mean the ETF is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

2. Source: Morningstar, as of 31 January 2022, data as of December 2021.

3. Please note that the annual rate stated may be increased up to a permitted maximum rate as set out in the Prospectus of the HSI ESG ETF by giving one month’s prior notice to relevant Unitholders. Please refer to the “Fees and Expenses” section of the Prospectus for further details of the fees and charges payable.

4. This figure is an estimate only (as the HSI ESG ETF is newly set up) and represents the sum of the estimated ongoing expenses chargeable to the Units over a 12-month period expressed as a percentage of the estimated average NAV of the Units over the same period. The actual figure may be different from the estimate. Please refer to the “Fees and Expenses” section in the Prospectus for details. This figure may vary from year to year.

5. This is an estimated annual tracking difference. Investors should refer to HSI ESG ETF’s website for information on the actual tracking difference.

6. Sustainalytics is the data provider of the ESG Risk Rating data, UNGC data and Product Involvement data.

7. The ESG Risk Ratings measure the degree to which a company’s economic value is at risk from financially material ESG issues. Please refer to the details in the Hong Kong Offering Document.

8. Product Involvement Screening areas and the respective threshold are
   i) Thermal Coal Extraction; Tobacco Products Production; Tobacco Products Retail (if equal to or over 5% of revenue)
   ii) Thermal Coal Power Generation (if equal to or over 5% of capacity) and
   iii) Controversial Weapons (Any involvement)

9. Subject to a 8% cap on individual constituent weight for each Index constituent.

# END #
About Hang Seng Investment Management

Established in 1993, Hang Seng Investment Management Limited (Hang Seng Investment Management) is a wholly owned subsidiary of Hang Seng Bank Limited. As a Hong Kong-based asset management company specialising in managing funds related to mainland China and Hong Kong markets, Hang Seng Investment Management is committed to providing investors with comprehensive investment management services through investment managers with extensive experience in managing index-tracking funds, exchange-traded funds, retirement funds and institutional accounts.
Hang Seng Investment Launches HSI ESG Enhanced Select Index ETF / 6

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