



# XIE Shares CLSA GARY ETF

(a sub-fund of XIE Shares Trust II)

Enhanced Investment Products Limited

31 May 2018

This is an exchange traded fund.  
This statement provides you with key information about this product.  
This statement is a part of the Prospectus.  
You should not invest in this product based on this statement alone.

## Quick facts

|  |  |
|--|--|
| Stock code:                                    | 03102  |
| Trading lot size:                              | 200 Units  |
| Fund Manager:                                  | Enhanced Investment Products Limited (the “Manager”)           |
| Trustee:                                       | Cititrust Limited  |
| Ongoing charges over a year:                   | 1.44%*   |
| Tracking difference of the last calendar year: | -3.91%**   |
| Underlying Index:                              | CLSA GARY Net Total Return Index                               |
| Base currency:                                 | Hong Kong dollars  |
| Trading currency:                              | Hong Kong dollars  |
| Financial year end of this fund:               | 31 December  |
| Distribution policy:                           | No dividends are payable                                       |
| ETF website:                                   | <a href="http://www.xieshares.com.hk">www.xieshares.com.hk</a> |

## What is this product?

XIE Shares CLSA GARY ETF (the “Sub-Fund”) is a sub-fund of XIE Shares Trust II (“Trust”), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking exchange traded fund under Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds (the “Code”). The Units of the Sub-Fund are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). They are traded on the SEHK like listed stocks.

## Objective and investment strategy

### Objective

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the CLSA GARY Net Total Return Index (the “Index”).

### Strategy

The Manager intends to adopt primarily a full replication strategy to achieve the investment objective of the Sub-Fund. The Manager may however, in the appropriate circumstances, choose to use a representative sampling strategy.

When the Sub-Fund adopts a full replication strategy, it will invest substantially all of its assets in the securities constituting the Index in substantially the same weightings (i.e. proportions) as these securities have in the Index. When the Sub-Fund adopts a representative sampling strategy, it may or may not hold all the securities comprised in the Index, and may hold a portfolio of securities which are not included in the Index, provided that these collectively feature a high correlation with the Index.

Investors should note that the Manager may switch between the full replication and representative sampling strategies without notice to investors and in its absolute discretion as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

\* The ongoing charges figure is based on expenses for the year ended 31 December 2017. This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the Sub-Fund expressed as a percentage of the average net asset value.

\*\* This is an actual tracking difference of the last calendar year. Investors should refer to the Sub-Fund’s website for more up to date information on actual tracking difference.



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## Enhanced Investment Products Limited

31 May 2018

There is no current intention for the Sub-Fund to:

- (a) invest other than in stocks;
- (b) invest in or utilise any financial derivative instruments for non-hedging (i.e. investment) or hedging purposes; or
- (c) engage in securities lending, repurchase transactions or other similar over-the-counter transactions,

but this may change in light of market circumstances and where the Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than 1 month's prior notice will be given to the Unitholders.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in the Prospectus.

### Index

The Index was launched on 14 October 2015 and captures globally listed stocks (excluding A-Shares listed on the Shenzhen and Shanghai Stock Exchanges) where the company's country of primary operations is in the Asia Pacific region, excluding Japan. "Country of primary operations" is defined as the country where the company is headquartered or derives more than 80% of its revenue. Countries included in the Asia Pacific ex-Japan region are Australia, the PRC, Hong Kong, India, Indonesia, South Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan and Thailand.

The Index utilises CLSA Limited's "Growth At a Reasonable Yield" (GARY) strategy. Constituents must pass through a rule-based screening process that is designed to ensure a higher level of investibility and tradability. A set of quantitative screens relating to dividend yield, growth, quality and sustainability of dividend are applied during the index construction process. Please refer to the section "Index Constituents Selection Criteria" in the main Prospectus for further details.

The Index is a total net return index. A total net return index means that the performance of the index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions. The Index is denominated and quoted in Hong Kong dollars.

The Index is an equal-weighted index and has a minimum of 20 constituents at all times. As at 31<sup>st</sup> May 2018, the Index comprised 60 constituents with a total market capitalisation of approximately USD497 billion. The base date of the Index is set at 31 December 2009 with a base value of 100.

The Index Provider is CLSA Limited, who owns the intellectual property of the Index and has licensed the Index to the Manager for use by the Sub-Fund. CLSA Limited is in compliance with the IOSCO Principles for Financial Benchmarks and, as an SFC regulated firm, has robust control systems and processes in respect of its role as the Index Provider of the Index. The Index was designed by CLSA Limited's research team. The Index Calculation Agent is S&P Opco, LLC, who is responsible for the operation, calculation and maintenance of the Index as well as publication and record keeping pursuant to a custom index agreement with CLSA Limited (the "Custom Index Agreement"). The Manager and its Connected Persons are independent from the Index Calculation Agent. The Index Provider is a Connected Person of the Manager but the Manager is operationally independent of CLSA Limited's research team and the indices team of CLSA Limited (the "CLSA Index Team"), which is responsible for validating any changes to Index constituents to ensure they meet the screening criteria. In the case that there are any issues with the construction, calculation, maintenance and review of the methodology or rules of the Index or with CLSA Limited providing the Index to the Manager, or any issues relating to the Index generally, the Index Calculation Agent will provide its index expertise to CLSA Limited to resolve any such issues.



# XIE Shares CLSA GARY ETF

(a sub-fund of XIE Shares Trust II)

## Enhanced Investment Products Limited

31 May 2018

As at 31 May 2018, the 10 largest constituents by market capitalisation of the Index (which accounted in aggregate for approximately 16.56% of the Index\*) were as follows:

|    | Company name                     | Exchange  | Sector                 | Weighting %* |
|----|----------------------------------|-----------|------------------------|--------------|
| 1  | Sands China Ltd.                 | Hong Kong | Consumer Discretionary | 1.83         |
| 2  | Sun Hung Kai Properties Ltd.     | Hong Kong | Real Estate            | 1.76         |
| 3  | Country Garden Holdings Co. Ltd. | Hong Kong | Real Estate            | 1.69         |
| 4  | Overseas-Chinese Banking         | Singapore | Financials             | 1.54         |
| 5  | United Overseas Bank             | Singapore | Financials             | 1.60         |
| 6  | Macquarie Group Ltd              | Australia | Financials             | 1.84         |
| 7  | Malayan Banking Bhd              | Malaysia  | Financials             | 1.51         |
| 8  | CK Infrastructure Holdings Ltd   | Hong Kong | Utilities              | 1.63         |
| 9  | Scentre Group                    | Australia | Real Estate            | 1.82         |
| 10 | CIMB Group Holdings Bhd          | Malaysia  | Financials             | 1.35         |

\*This is an equal weighted index.

Further information on the Index, including methodology and ground rules of the Index, is available at the Manager's website at [www.xieshares.com.hk](http://www.xieshares.com.hk).

### Index code

Bloomberg Code: CLSAGNH

### What are the key risks?

Investment involves risks. Please refer to the Prospectus for details including the risk factors.

#### 1. High dividend yield securities risks

- The Sub-Fund invests in high dividend yield securities which may offer a higher rate of dividend yield. However, high dividend yield securities are subject to risks that the dividend could be reduced or abolished, or the risks that the value of the securities could decline or have lower-than average potential for price appreciation.

#### 2. Emerging markets risk

- The Sub-Fund invests in a number of Asian emerging markets. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

#### 3. Concentration risk

- The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single geographical region (Asia Pacific ex-Japan) and a limited number of stocks and may likely be more volatile than a broad-based fund.

\* This is an equal-weighted index.



# XIE Shares CLSA GARY ETF

(a sub-fund of XIE Shares Trust II)

## Enhanced Investment Products Limited

31 May 2018

### 4. Passive investments risk

- The Sub-Fund is not “actively managed”, therefore when there is a decline in the Index, the Sub-Fund will also decrease in value. The Manager has no discretion to select stocks individually (other than in respect of representative sampling) and will not adopt any temporary defensive position against any market downturn. Hence a decline in the Index will result in a fall in the Net Asset Value of the Sub-Fund. Investors may suffer significant losses accordingly.

### 5. Investment risk

- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. Therefore your investment in the Sub-Fund may suffer losses.

### 6. Trading risks

- Generally, retail investors can only buy or sell Units on the SEHK. The trading prices of the Units on the SEHK are driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to its Net Asset Value.
- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, retail investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.

### 7. Difference in trading hours risks

- As the stock exchanges on which constituent securities are traded may be open when Units in the Sub-Fund are not priced, the value of the securities in the Sub-Fund’s portfolio may change on days when investors will not be able to purchase or sell Units.
- Differences in trading hours between the SEHK and other exchanges may result in the trading price per Unit deviating from its Net Asset Value (i.e. the trading price being at a premium or discount to the Net Asset Value) because such other exchanges may be closed while the SEHK is open and the Index level will not be available.

### 8. Foreign exchange risk

- An investment in the Sub-Fund may directly or indirectly involve exchange rate risk. The constituent securities of the Index may be denominated in currencies other than the base currency of the Sub-Fund (which is Hong Kong dollars). Fluctuations in the exchange rates between such currency and the base currency may have an adverse impact on the performance of the Sub-Fund.

### 9. Reliance on the Index Calculation Agent risk

- Pursuant to the Custom Index Agreement with the Index Provider, the Index Calculation Agent agrees to calculate and maintain the Index. In addition, in operating the Index, the Index Provider also relies on the Index Calculation Agent to provide continuous on-going support in terms of index expertise to the Index Provider.
- If the Index Calculation Agent ceases to provide such support or act as index calculation agent in respect of the Index by giving at least 3 months’ advance notice to CLSA Limited, the Index Provider may not be able to immediately find a successor index calculation agent with the requisite expertise or resources and any new appointment may not be on equivalent terms or of similar quality. It is possible that the Index Provider will need to compile and maintain the Index by itself in the interim until a new index calculation agent is appointed. In those circumstances there is a risk that the operations and publication of the Index may be disrupted which may adversely affect the operations and performance of the Sub-Fund. In an extreme case, the Index may as a result cease to satisfy the requirements of the Code and so become unavailable as one to be tracked by the Sub-Fund, in which case the Sub-Fund may be terminated.



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(a sub-fund of XIE Shares Trust II)

Enhanced Investment Products Limited

31 May 2018

## 10. Tracking error risk

- Due to fees and expenses of the Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, foreign exchange costs and changes to the regulatory policies, the Sub-Fund's return may deviate from that of the Index. There can be no guarantee or assurance of exact or identical replication at any time of the performance of the Index or that the Sub-Fund will achieve its investment objective of corresponding to the performance of the Index.

## 11. Termination risks

- If the Index Provider terminates the index licence agreement or the Index or otherwise does not allow the Sub-Fund to use the Index, and there is no successor index or if its fund size falls below HKD100 million, the Sub-Fund may be terminated and investors may suffer a loss. Please refer to the section headed "Termination" of the Prospectus for details of events which may cause the Sub-Fund to be terminated.

## 12. Reliance on market maker and liquidity risks

- Although it is an expectation that the Manager ensures that at least one market maker will maintain a market for the Units and gives not less than 3 months' notice prior to terminating market making under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no market maker for the Units. At the listing of Units, there is only one SEHK market maker. It is possible that there will only ever be one market maker and that the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker. There is also no guarantee that any market making activity will be effective.



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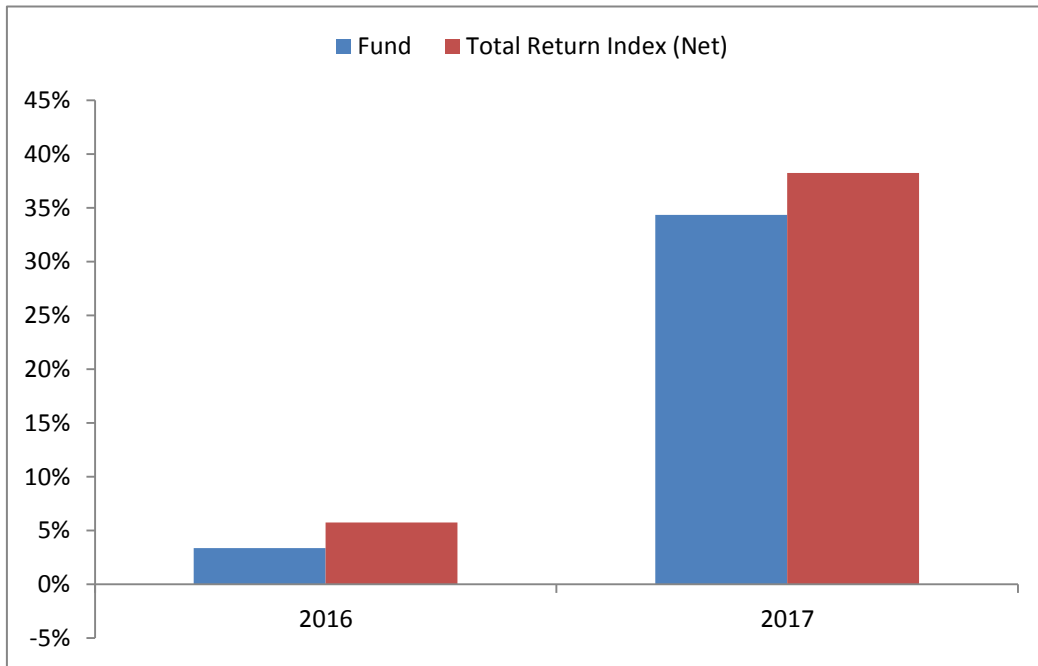
Enhanced Investment Products Limited

31 May 2018

## How has the fund performed?

Calendar Year Performance (in HKD, %)

|       | 2013 | 2014 | 2015 | 2016  | 2017   |
|-------|------|------|------|-------|--------|
| Fund  |      |      |      | 3.37% | 34.34% |
| Index |      |      |      | 5.75% | 38.26% |



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the fund increased or decreased in value during the calendar year being shown.
- Performance data has been calculated in HKD, including ongoing charges and excluding your trading costs on SEHK.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Fund launch date: 4 November 2015

## Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the amount of money you invest.



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Enhanced Investment Products Limited

31 May 2018

## What are the fees and charges?

Please refer to the section entitled “Fees and Expenses” of the Prospectus for details of other fees and expenses.

### Charges incurred when trading the Sub-Fund on SEHK

| Fee              | What you pay                              |
|------------------|---|
| Brokerage fee    | Market rates                              |
| Transaction levy | 0.0027% <sup>1</sup> of the trading price |
| Trading fee      | 0.005% <sup>2</sup> of the trading price  |
| Stamp duty       | Nil                                       |

<sup>1</sup> Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>2</sup> Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.

### Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the Net Asset Value of the Sub-Fund which may affect the trading price.

|                                 | Annual rate (as a % of the Sub-Fund's value)   |
|---------------------------------|--|
| Management fee*                 | 0.70%  |
| Trustee fee*                    | No separate Trustee Fee is charged. The Trustee Fee is included in the Management Fee            |
| Performance fee                 | None   |
| Administration and custody fees | No separate administration or custody fees are charged. These are included in the Management Fee |

\* Please note that some fees may be increased up to a permitted maximum amount by providing 1 month's prior notice to Unitholders. Please refer to the section headed “Fees and Expenses” of the Prospectus for details of these maximum permitted amounts. In addition, the Sub-Fund will pay the Registrar a fee for its services of HKD54,000 per annum.



# XIE Shares CLSA GARY ETF (a sub-fund of XIE Shares Trust II)

Enhanced Investment Products Limited

31 May 2018

## Other fees

You may have to pay other fees when dealing in the Units of the Sub-Fund.

## Additional information

You can find the following information relating to the Sub-Fund (in English and in Chinese) at the website at [www.xieshares.com.hk](http://www.xieshares.com.hk) (which has not been reviewed or approved by the SFC):

- The Prospectus including the Product Key Facts Statement (as revised from time to time)
- The latest annual audited accounts and interim half yearly unaudited report of the Sub-Fund (in English only)
- Any notices relating to material changes to the Sub-Fund which may have an impact on its investors, such as material alterations or additions to the Prospectus including the Product Key Facts Statement or the constitutive documents of the Trust and the Sub-Fund (as revised from time to time)
- Any public announcements made by the Manager in respect of the Sub-Fund, including information with regard to the Sub-Fund and the Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units
- The near real time estimated Net Asset Value per Unit of the Sub-Fund (updated every 15 seconds throughout each dealing day in Hong Kong dollars)
- The last closing Net Asset Value of the Sub-Fund and the last closing Net Asset Value per Unit of the Sub-Fund in Hong Kong dollars
- The last closing level of the Index
- The composition of the Sub-Fund (updated on a daily basis)
- The latest list of the Participating Dealers and Market Makers of the Sub-Fund
- The past performance information, annual tracking difference and tracking error of the Sub-Fund

## Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.