

# PRODUCT KEY FACTS

## Value China ETF

Issuer: Sensible Asset Management Hong Kong Limited

April 2020

***This is a passive 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.***

***Capitalised terms used but not otherwise defined in this statement shall have the same meaning as in the Prospectus unless otherwise specified.***

### Quick facts

Stock code:	3046
Trading lot size:	100 Units
Manager:	Sensible Asset Management Hong Kong Limited
Sub-Manager	Value Partners Hong Kong Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Ongoing charges over a year <sup>#</sup> :	0.65% <sup>†</sup>
Tracking difference of the last calendar year <sup>###</sup> :	-1.28%
Underlying Index:	FTSE Value-Stocks China Index
Base currency:	Hong Kong dollars (HK\$)
Dividend policy:	Semi-annually (if any) subject to the Manager's discretion. Dividends may be paid out of gross income and all or part of the fees and expenses may be charged to capital at the Manager's discretion, resulting in an increase in distributable income for the payment of dividends and therefore, dividends may be paid effectively out of capital. This may result in an immediate reduction of the NAV.
Financial year end of this fund:	31 March
ETF Website:	<a href="https://www.valueETF.com.hk/eng/product-value-china-etf-3046-hk/">https://www.valueETF.com.hk/eng/product-value-china-etf-3046-hk/</a> (this website has not been reviewed by the SFC)

- # *The ongoing charges figure is expressed as a percentage of the sum of expenses over the average NAV of the Trust for the corresponding period as described below. This figure may vary from year to year. Information is updated as at 9 September 2019.*
- ∨ *This figure is an annualised figure based on the expenses for the interim period ended 30 September 2019. The actual ongoing charges figure may be different and may vary from year to year.*
- ## *This is the actual tracking difference of the calendar year ending on 31 December 2019. Investors should refer to the Trust's website for more up-to-date information on actual tracking difference.*

## What is this product?

Value China ETF (the "Trust") is a fund constituted in the form of an open ended unit trust established under Hong Kong law. It is a passively-managed index-tracking exchange traded fund listed on The Stock Exchange of Hong Kong Limited (the "SEHK"). The units of the Trust (the "Units") are traded on the SEHK like stocks.

## Objectives and Investment Strategy

### Objective

The investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of FTSE Value-Stocks China Index (the "Index").

### Strategy

To achieve the investment objective, the Manager intends to primarily use a full replication strategy to track the performance of the Index. Depending on the market conditions, the Manager may also utilise a representative sampling strategy or invest in derivatives to achieve the Trust's investment objective.

Although the Trust will invest primarily in the securities included in the Index, the Trust may also invest in other investments including, but not limited to, futures contracts, options on futures contracts, options, swaps, warrants and other financial derivative instruments ("FDI") related to the Index or its constituents, local currency and foreign currency exchange contracts, cash and cash equivalents and other FDIs which the Manager believes will help the Trust achieve its investment objective. The investment strategy of the Trust is subject to the investment and borrowing restrictions set out in Schedule 1 of the Prospectus.

### Index

The Index is a total return, free float-adjusted market capitalisation-weighted index and is denominated in Hong Kong dollars. The Index was launched on 8 July 2009 and has a base date of 29 October 2004 and a base value of 1,000. As of 31 March 2020, it had a total market capitalisation of HK\$1,556 billion and 25 constituents.

The Index captures the performance of 25 value stocks amongst liquid and tradeable Chinese companies listed on the SEHK, including H-shares, red chips and other SEHK listed Chinese companies. Index constituents must pass a value screening process which includes valuation, quality, and contrarian screening factors. To ensure the highest level of tradability, a set of liquidity and investability screens are applied during the index construction process.

FTSE is responsible for the operation, calculation and the maintenance of the Index as well as the publication and record keeping. Value Partners Index Services Limited ("VPI SL"), which is a Connected Person of the Manager, is responsible for undertaking the index screening review of the Index.

The most updated list of the constituents of the Index, their respective weightings and additional information of the Index, including the complete and most updated ground rules, from the Index website at <https://www.ftserussell.com/products/indices/value-stocks> (this website has not been reviewed by the SFC).

## Use of derivatives

The Trust's net derivative exposure may be up to 50%.

## What are the key risks?

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

### 1. Investment risk

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

### 2. Concentration Risk

- The Trust seeks to track the performance of the Index. Investors should note that the Index has 25 constituent securities only and it is only re-balanced twice a year. The Index is therefore less broadly based than typical indices tracked by the SFC authorised ETFs. Investors should note that there is, therefore, a greater risk of volatility in the Index than in the aforesaid typical indices, and that the performance of the Trust is, therefore, more dependent on and affected by the share prices of a limited number of issuers.
- The Trust may likely be more volatile than a broad-based fund, such as a global equity fund, as it is more susceptible to fluctuations in value of the Index resulting from adverse conditions in the PRC.

### 3. Emerging Market Risks

- The Trust has a portfolio investing in companies whose operations are primarily in the PRC and therefore is subject to emerging market risks.
- Generally, investments in emerging markets such as the PRC are subject to a greater risk of loss than investments in a developed market due to greater political, economic, taxation and regulatory uncertainty and risks linked to volatility and market liquidity.

### 4. Reliance on the Value Partners group and conflicts of interests

- The Index Provider of the Trust is FTSE, which calculates and reports the daily closing level of the Index (or designates parties to do so), whereas the Index was designed by VPISL. The ultimate holding company of VPISL is the holding company of the Sub-Manager as well as being a shareholder of the Manager. The Sub-Manager and VPISL also share resources. As such, VPISL, the Manager and the Sub-Manager are not technically independent of each other. The functions which VPISL, the Manager and the Sub-Manager will perform in connection with the Trust may give rise to potential conflicts of interest. In the event of a financial catastrophe or the insolvency of any member of the group, the NAV and liquidity of the Trust may be adversely affected and its operation may be disrupted.

### 5. Dividends may not be paid

- There is no assurance that the Trust will declare to pay dividends or distributions. Investors may not receive any distributions.

**6. Distribution effectively out of capital risk**

- Dividends may be distributable out of gross income while all or part of fees and expenses of the Trust are charged to capital, resulting in an increase in distributable income for the payment of dividends by the Trust and therefore, the Trust may effectively pay dividend out of capital.
- Payment of dividends 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 effectively out of capital may result in an immediate reduction of the NAV per Unit.
- The Manager may amend the dividend policy of the Trust subject to the SFC's prior approval and by giving not less than one month prior notice to the Unitholders.

**7. FDI risk**

- The Trust may, subject to its investment restrictions, invest in FDIs to gain exposure to constituent securities of the Index.
- Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Trust. Exposure to FDI may lead to a high risk of significant loss by the Trust.

**8. Termination risk**

- The Trust may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking or if the size of the Trust falls below HK\$150 million. Investors may not be able to recover their investments and may suffer a loss when the Trust is terminated. Please refer to the section "Termination" in the Prospectus for further details.

**9. Passive investment risk**

- The Trust is passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Trust. Falls in the Index are expected to result in corresponding falls in the value of the Trust.

**10. Trading risk**

- Generally, retail investors can only buy or sell Units of the Trust on the SEHK. 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 Trust's NAV.

**11. Tracking error risk**

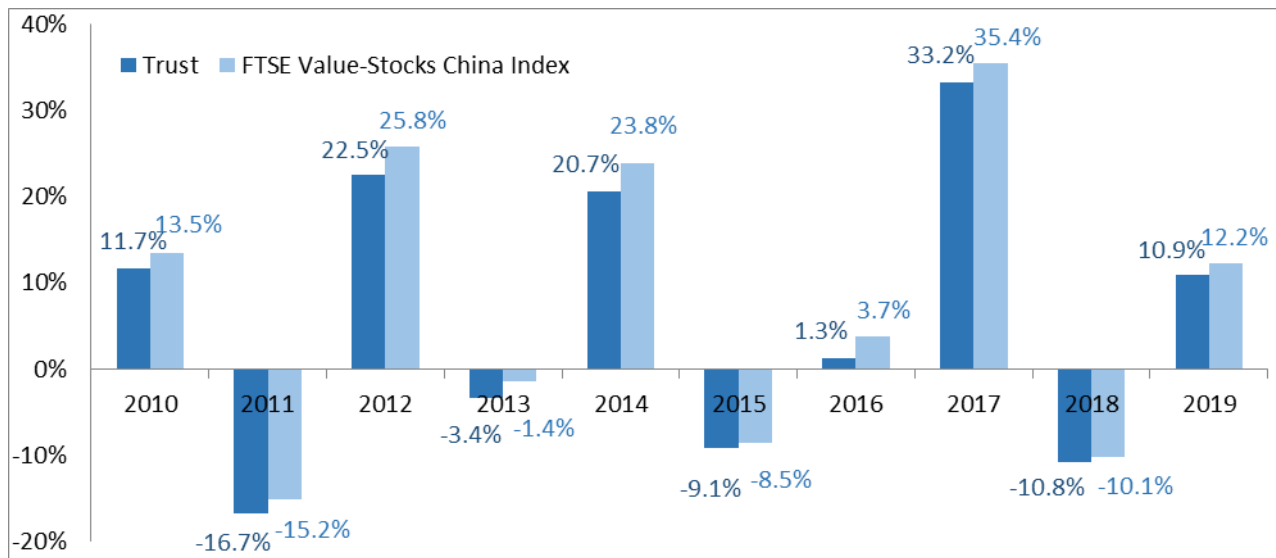
- The Trust may be subject to tracking error risk, which is the risk that its performance may not track that of the Index exactly. This tracking error may result from the investment strategy used, and fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Index.

**12. Reliance on market maker risks**

- Although the Manager will use its best endeavours to put in place arrangements so that at least one market maker will maintain a market for the Units, and that at least one market

maker gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Trust. There is also no guarantee that any market making activity will be effective.

## How has the fund performed?



- 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 dividends (if any) reinvested.
- These figures show by how much the Trust 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 the SEHK.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Trust launch date: 10 December 2009.

## Is there any guarantee?

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

## What are the fees and charges?

### Charges incurred when trading the Trust on the SEHK

Fees	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027% <sup>1</sup>
SEHK trading fee	0.005% <sup>2</sup>
Stamp duty	Nil

### Ongoing fees payable by the Trust

The following expenses will be paid out of the Trust. They affect you because they reduce the NAV of the Trust which may affect the trading price.

	Annual rate (as a % NAV)
<b>Management fee*</b> The Trust pays a management fee to the Manager.	0.10%
<b>Trustee's and Registrar's fee*</b> The Trust pays a trustee's and registrar's fee to the Trustee.	0.12% (subject to a minimum of HK\$39,000 per month)

*\* Please note that these fees may be increased up to a permitted maximum on giving 1 month's notice to the Unitholders. Please refer to the section of the prospectus entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees allowed as well as other ongoing expenses that may be borne by the Trust*

<b>Performance fee</b>	Nil
<b>Administration fee</b>	Nil

### Other fees

You may have to pay other fees when dealing in the Units of the Trust.

### Additional information

The Manager will publish important news and information with respect to the Trust, both in the English and in the Chinese languages, on the Manager's website at <https://www.valueETF.com.hk/eng/product-value-china-etf-3046-hk/> (this website has not been reviewed by the SFC) including:

- the Prospectus and this statement (as revised from time to time);
- the latest annual and interim financial reports;
- any notices for material alterations or additions to the Prospectus or the Trust's constitutive documents;
- any public announcements made by the Trust, including information with regard to the Trust and the Index, notices of the suspension of the calculation of the NAV, changes in fees and the suspension and resumption of trading;

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

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

- (e) the near real time indicative NAV per Unit updated every 15 seconds throughout each Dealing Day;
- (f) the last NAV of the Trust and the last NAV per Unit of the Trust;
- (g) the full holdings of the Trust (updated on a daily basis);
- (h) the tracking difference and tracking error of the Trust;
- (i) the constituents of the Index and the level of the Index;
- (j) the latest list of the Participating Dealers and Market Makers; and
- (k) the composition of dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital), if any, for the last 12 months.

### **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.