

PRODUCT KEY FACTS



Vanguard Total China Index ETF
a sub-fund of VANGUARD ETF SERIES

Vanguard Investments Hong Kong Limited

30 April 2021

- ***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.***

Quick facts

Stock code:	83169 – RMB Counter 3169 – HKD Counter 9169 – USD Counter
Trading board lot size:	100 Units – RMB Counter 100 Units – HKD Counter 100 Units – USD Counter
Manager:	Vanguard Investments Hong Kong Limited
Investment Advisor:	Vanguard Investments Australia Ltd (based in Australia, internal delegation)
Trustee:	State Street Trust (HK) Limited
Registrar:	State Street Trust (HK) Limited
Ongoing Charges over a year*:	0.40% per annum of the Net Asset Value of the Vanguard Total China Index ETF (“ Sub-Fund ”)
Tracking difference of the last calendar year**:	-0.71%
Underlying Index:	FTSE Total China Connect Index (“ Underlying Index ”)
Base Currency:	Renminbi (“ Base Currency ”)
Trading Currency:	Renminbi – RMB counter Hong Kong dollars – HKD counter US dollars – USD counter
Financial year end of this Sub-Fund:	31 December
Distribution Frequency:	Quarterly (in March, June, September, December) – at the Manager’s discretion***
Website:	www.vanguard.com.hk ¹

¹ This website has not been reviewed by the SFC.

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* *The ongoing charges figure is the sum of the actual expenses charged to the Sub-Fund for the year ended 31 December 2020. The figure is expressed as a percentage of the Sub-Fund's average Net Asset Value. It equals the management fee as set out in the section "Ongoing fees payable by the Sub-Fund" in this statement and includes, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. The ongoing charges figure does not represent the estimated tracking error of the Sub-Fund. The ongoing charges figure does not cover (to the extent not included in the operational fees) any fees, costs and expenses payable by investors on the creation or redemption of Units, such as the fees to participating dealers, brokerage fees, transaction fees, stamp duty or other duties and charges, or any extraordinary or exceptional costs and expenses as may arise from time to time and any tax liabilities in respect of the Sub-Fund which will be paid separately out of the fund assets of the Sub-Fund. The figure may vary from year to year.*

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

*** *The Manager does not currently intend to make any dividend distribution out of capital or effectively out of capital. All Units (whether RMB, HKD or USD traded Units) will receive dividend distributions in the base currency only (i.e. RMB).*

What is this product?

The Sub-Fund is a sub-fund of the Vanguard ETF Series, which is an umbrella unit trust established under Hong Kong law. The units of the Sub-Fund ("**Units**") are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). The Sub-Fund is a passively managed index-tracking exchange traded fund falling under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds. The Units of the Sub-Fund are traded on the SEHK like listed stocks.

Investment Objective and Investment Strategy

Investment Objective

The Manager seeks to provide investment results, before the deduction of fees and expenses, that closely correspond to the performance of the Underlying Index.

Investment Strategy

The Manager seeks to achieve the investment objective by employing a passive indexing approach, through physical acquisition of securities, designed to seek to track the performance of the Underlying Index. The Underlying Index comprises of Chinese equity securities listed in or outside the PRC (including A-Shares, B Shares, H Shares, Red Chips, P Chips, S Chips and N Shares, where the A-share constituents are those which are available for investment through Stock Connect (as defined below)).

The Manager may use either a "Replication Strategy" (by investing all or substantially all of its assets in securities which are, at the relevant time, the constituent securities of the Underlying Index ("**Index Securities**"), broadly in proportion to the respective weightings of the constituents of the Underlying Index) and/or a "Representative Sampling Strategy" (by investing in a portfolio featuring a high correlation with the Underlying Index and the Manager may invest in other securities that are not included in the Underlying Index). Initially, the Manager intends to pursue a "Representative Sampling Strategy" and may at the Manager's discretion switch between a "Replication Strategy" and "Representative Sampling Strategy" from time to time. In the event the Manager wishes to adopt any strategy other than a "Replication Strategy" or a "Representative Sampling Strategy", prior approval will be obtained from the SFC and not less than one month's prior notice will be given to Unitholders.

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Investment Policies

In seeking to track the performance of the Underlying Index, the Manager currently invests in a representative sample of the Index Securities of the Underlying Index selected by the Manager using quantitative analytical models in a technique known as “portfolio optimisation”, under which each Index Security is considered for inclusion and weighting in the portfolio of the Sub-Fund based on risk, industry, country or other factors. Portfolios are optimised to minimise tracking error given a set of constraints which may include transaction costs, trade sizes, country, risk factor and stock specific constraints. The Sub-Fund will invest in A-shares listed on the Shanghai Stock Exchange (“**SSE**”) or the Shenzhen Stock Exchange (“**SZSE**”) (“**A-Shares**”) through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively “**Stock Connect**”) only.

Further, the Sub-Fund may invest in financial derivative instruments (“**FDI**”), such as listed options, exchange traded options contracts, currency forwards, futures, index futures, options on index futures and warrants for investment purposes to gain exposure to the Index Securities or to the performance of the Underlying Index itself, to reduce transaction costs or taxes or allow exposure in the case of illiquid stocks or stocks which are unavailable for market or regulatory reasons or to minimise tracking error.

The Manager does not anticipate that investments in FDI would exceed 10% of the latest available net asset value (“**NAV**”) of the Sub-Fund.

The investment strategies above are subject to the investment and borrowing restrictions set out in the Prospectus and the additional limits as set by the above investment policies.

Securities Lending

The Sub-Fund does not currently intend to engage in any securities lending activities, repurchase transactions or other similar over-the-counter transactions. In the event of any change in respect of the Manager’s intention to enter into any securities lending, repurchase transaction or other similar over-the-counter transactions, prior approval will be obtained from the SFC and not less than one month’s prior notice will be given to the unitholders of the Sub-Fund (“**Unitholders**”).

Underlying Index

The Underlying Index was launched on 29 December 2017. The Underlying Index comprises of 1,020 large and mid-cap onshore (PRC) and offshore listed (Hong Kong, United States and Singapore) China equity securities with total market capitalisation of approximately RMB28,304,063 million as at 9 April 2021. The base date of the Underlying Index is set at 14 November 2014. The Underlying Index is denominated and quoted in Renminbi (CNH) and is a net total return, free float market capitalisation index.

FTSE International Limited (“**FTSE**”) is the index provider of the Underlying Index. The Manager and its connected persons are independent of FTSE.

For details of the Underlying Index (including its constituent securities and their respective underlying weightings), please refer to the index website at <http://www.ftse.com>¹, and at: <https://research.ftserussell.com/vanguard/Home/Indices?Region=ASIA>¹.

Use of derivatives/investment in derivatives

The Sub-Fund’s net derivative exposure may be up to 50% of the Sub-Fund’s Net Asset Value.

What are the key risks?

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

1 General investment risk

There can be no assurance that the Sub-Fund will achieve its investment objective. The NAV of the Sub-Fund may fall in value due to any of the key risk factors below and your investment in such Sub-Fund may suffer losses. There is no guarantee of the repayment of principal or any return on your investment.

2 Equity market risk

The investments of the Sub-Fund in equity securities are subject to general market risks, whose value fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions, issuer-specific factors and the risks inherent in investment in international securities markets, and there can be no assurances that capital will not be lost and that appreciation will occur.

3 Currency risk

Underlying investments of the Sub-Fund may be denominated in currencies other than the Base Currency of the Sub-Fund. The Sub-Fund also has Units traded in HKD and USD. The NAV of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rates between these currencies and the Base Currency and by changes in exchange rate controls.

4 RMB currency and conversion risks

The RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against investors' base currencies will not depreciate. Any depreciation of RMB could adversely affect the value of investor's investment in the Sub-Fund.

Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors. Under exceptional circumstances, payment of redemptions and dividends in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

5 Risks associated with the Stock Connect

The relevant rules and regulations on the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Sub-Fund's ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected. In such event, the Sub-Fund's ability to achieve its investment object could be negatively affected.

6 PRC market risk

The Sub-Fund will concentrate its investments in Chinese securities and the PRC market may be more volatile than other markets and may be subject to a higher level of risks compared to investing in a more diversified portfolio/strategy. Political/policies changes, social instability and adverse diplomatic developments in the PRC could result in the imposition of additional government restrictions including expropriation of assets, confiscatory taxes or nationalisation of some or all of the property held by the underlying issuers of the securities in the Sub-Fund's portfolio, and therefore may have a negative impact on the securities held by the Sub-Fund. The value of the Sub-Fund may also be more susceptible to the adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the PRC market.

7 Mid-capitalisation companies risk

The stock of mid-capitalised companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalised companies in general.

8 Trading differences risk

As the overseas stock exchanges 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 the Sub-Fund's Units. Differences in trading hours between the overseas stock exchanges and the SEHK may also increase the level of premium or discount of the Unit price to its NAV.

A-Shares are subject to trading bands which restrict increase and decrease in the trading price. Units listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit price to its NAV.

9 Risks relating to Mainland China A-Shares

A-Shares may only be bought from, or sold to, the Sub-Fund from time to time where the relevant A-Shares may be sold or purchased on the SSE or the SZSE, as appropriate. Given that the A-Share market is considered volatile and unstable (with the risk of suspension and/or limit trading of a particular stock or government intervention), the creation and redemption of Units may also be disrupted. Such volatility and suspensions/limitations could contribute to tracking error of the Sub-Fund and may cause Units to trade at a premium or discount to the Sub-Fund's NAV. A Participating Dealer is unlikely to redeem or create Units if it considers that A-Shares may not be available. High market volatility and potential settlement difficulties in the A-Shares market may also result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the value of the Sub-Fund.

10 PRC taxation risk

The PRC Government has implemented a number of tax reform policies in recent years and there are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of dividend income and capital gains realised via Stock Connect on the Sub-Fund's investments in the PRC (which may have a retrospective effect). Any revision or amendment in tax laws and regulations may affect the after-taxation profit of PRC companies and foreign investors in such companies. Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.

In order to meet the potential tax liability on dividend income and capital gains arising from the holding and disposal of A-Shares, the Manager reserves the right to provide for PRC tax on such income and withhold and settle the taxes for the account of the Sub-Fund. Based on professional and independent tax advice, the Manager (i) will not make any Withholding Income Tax ("WIT") provision or Value Added Tax ("VAT") provision on the unrealised or realised capital gains derived by the Sub-Fund from the trading of A-Shares; and (ii) will only provide for WIT on dividend income derived by the Sub-Fund from A-Shares to the extent that the 10% WIT on dividend has not been properly withheld at source.

11 Emerging market risks

The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investments in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

12 Passive investment risk

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

13 Tracking error risk

The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. The Manager will monitor and seek to manage such risk in minimising tracking error. Although the Manager will regularly monitor the level of correspondence of the performance of the Sub-Fund with the performance of the relevant Underlying Index (i.e. “tracking accuracy”), there is no assurance that the Sub-Fund will achieve any particular level of tracking accuracy and/or no guarantee or assurance of exact or identical replication by the Sub-Fund at any time of the performance of the relevant Underlying Index due to, amongst others, the fees and expenses of the Sub-Fund, the investment strategy used and/or the liquidity of the market.

14 Termination risk

The Sub-Fund may be terminated early under certain circumstances, for example, (i) where the Manager goes into liquidation; (ii) there is no replacement Manager or Trustee upon the retirement or removal of the Manager or Trustee (as applicable); (iii) the Manager is incapable of performing its duties properly or has committed a material breach of the terms of the Trust Deed, any laws, rules and regulations renders it illegal, impracticable or inadvisable to continue the Sub-Fund (iv) the licence to use the Underlying Index to create the Sub-Fund is terminated and/or (v) the Underlying Index ceases to be compiled or published and there is no replacement index or the Sub-Fund ceases to be authorised by the SFC. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

15 Trading risk

Generally, retail investors can only buy or sell Units on the SEHK. The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to their NAV. As retail investors will pay certain charges (ie trading fees and brokerage fees) to buy or sell units on the SEHK, retail investors may pay more than the NAV per Unit when buying a Unit on the SEHK and may receive less than the NAV per Unit when selling a Unit on the SEHK.

The Units in the RMB counter are RMB denominated securities traded on the SEHK and settled in the CCASS. Not all stockbrokers or custodians may be ready and able to carry out trading and settlement of the RMB traded Units. The limited availability of RMB outside the PRC may also affect the liquidity and trading price of the RMB traded Units.

16 Reliance on Market Makers

Although the Manager will ensure that at least one market maker will maintain a market for the Units traded in each counter and that at least one market maker to each counter 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 marker for the HKD, RMB or USD traded units. There is also no guarantee that any market making activity will be effective.

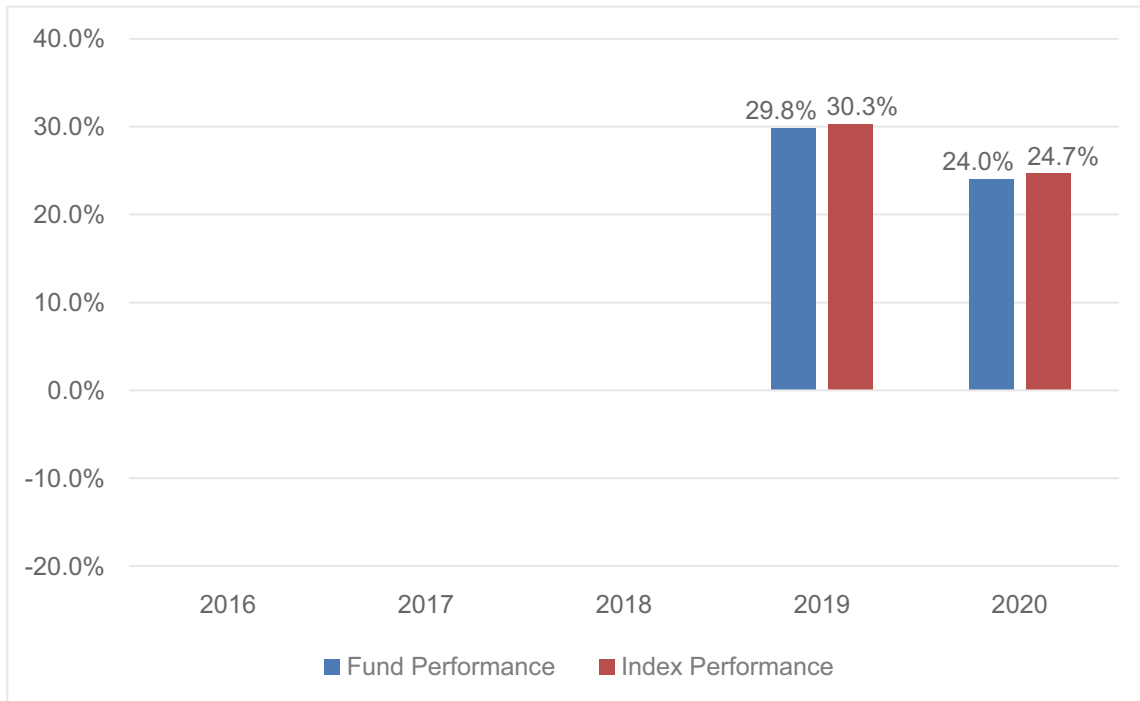
In addition, there may be less interest by potential market makers in making a market in Units denominated and traded in RMB. Any disruption to the availability of RMB may adversely affect the capability of the market makers in providing liquidity for the RMB traded Units.

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17 Multiple Counter risk

If there is a suspension of the inter-counter transfer of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, Unitholders will only be able to trade their Units in one counter only, which may inhibit or delay an investor dealing. The market price of Units traded in each RMB, HKD and USD counter may deviate significantly from one another. As such, investors may receive less or pay more than the equivalent amount in the currency of another counter.

How has the Sub-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 of the Sub-Fund is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year being shown. Where no past performance is shown, there was insufficient data available in that year to provide performance. Performance data has been calculated in Renminbi taking into account ongoing charges and excluding your trading costs on SEHK.
- Sub-Fund launch date: May 2018

Is there any guarantee?

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

What are the fees and charges?

Please refer to the section (Fees and Expenses) of the Prospectus for details of other fees and expenses applicable to the creation and redemption of Units.

Charges incurred when trading the Units of the Sub-Fund on SEHK

Fee	What you pay
Brokerage Fee	At each broker's discretion
Transaction Levy	0.0027% of the trading price of the Units, payable by each of the buyer and the seller
Trading Fee	0.005% of the trading price of the Units, payable by each of the buyer and the seller
Inter-counter transfer Fee*	HKD 5
Stamp Duty	Nil

**HKSCC will charge each CCASS participant a fee of HKD 5 per instruction for effecting an inter-counter transfer between one counter and the other counter. Investors should check with their brokers regarding any additional fees.*

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 NAV which may affect the trading price.

	Annual rate (as a % of the Sub-Fund's NAV)
Management Fee*	0.40% per annum
Manager's Fee	The manager's fee is included as part of the Management Fee.
Trustee Fee	The trustee fee is included as part of the Management Fee.

** The Management Fee is the sum of the anticipated charges to the Sub-Fund and includes the ongoing fees payable out of the Sub-Fund, the Manager's Fee, the operational fees, all costs and expenses connected with the management and operating activities of the Sub-Fund, investment management and advisory fees, administration, registration, transfer agency, listing agent, registrar, custody and trustee fees, and other operating expenses. As the Management Fee is a single fixed rate, the ongoing charges of the Sub-Fund will be equal to the Management Fee.*

Other fees

You may have to pay other fees when dealing in the units of the Sub-Fund. Please refer to Appendix 1 of the Prospectus for details of other fees and expenses applicable to the creation or redemption, or dealing in Units.

Additional Information

You can find the following information of the Sub-Fund at www.vanguard.com.hk¹, in both English and Chinese:

- The Sub-Fund's Prospectus, including the product key facts statement (as revised from time to time)
- The most recent audited annual and unaudited semi-annual reports of the Sub-Fund (available in English only)
- The last Net Asset Value of the Sub-Fund in RMB only, and the last NAV per Unit of the Sub-Fund (in RMB, HKD and USD) (updated on a daily basis)
- The Dealing Days (as defined in the Prospectus) for the Sub-Fund
- Near real-time indicative NAV per Unit of the Sub-Fund throughout each Dealing Day in RMB, HKD and USD (updated at least every 15 seconds during trading hours).
- Any public announcements or notices made by the Vanguard ETF Series and the Sub-Fund, including information regarding the Sub-Fund or the Underlying Index, the suspension of creation and redemption of Units, the suspension of the calculation of the NAV, changes in its fees and the suspension and resumption of trading in its Units, and notices relating to material alterations or additions to the Prospectus or the constitutive documents of the Vanguard ETF Series
- Full holdings information of the Sub-Fund (updated on a monthly basis within one month of the end of each month)
- The latest list of participating dealers and market maker(s) of the Sub-Fund
- The last closing level of the Underlying Index (in Base Currency)
- The ongoing charges figure and the past performance information of the Sub-Fund
- The tracking difference and tracking error of the Sub-Fund

The near real time indicative NAV per Unit in RMB, HKD and USD and the last NAV per Unit in HKD and USD are indicative and for reference only. The near real time indicative NAV per Unit in HKD and USD uses a real time exchange rate between RMB and each of the HKD and USD. It is calculated using the near real time indicative NAV per Unit in RMB multiplied by the real time exchange rate provided by ICE Data Services for HKD and USD.

The last NAV per Unit in HKD and USD are calculated using the last NAV per Unit in RMB (offshore RMB(CNH)) multiplied by the WM Reuters at 4:00 p.m. (London time)* rate for HKD and USD respectively for that Dealing Day. Please refer to the Prospectus for details.

** Please note 4:00 p.m. (London time), (i) during British Summer Time is equivalent to 11:00 p.m. (Hong Kong time); and (ii) otherwise is equivalent to 12:00 a.m. (Hong Kong time).*

Investors should note that the websites referred to in this product key facts statement have not been reviewed by the SFC. Any information provided in websites may be updated and changed periodically without any notice to any person.

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.