

**Nikko Asset Management Hong Kong Limited**  
**Nikko AM Global Internet ETF**  
a sub-fund of  
**the Nikko AM Hong Kong Exchange Traded Funds Series**

17 October 2019

- *This is a passive exchange traded fund.*
- *This statement provides you with key information about this product. This statement is a part of the offering documents.*
- *You should not invest in this product based on this statement alone.*

**Quick facts**

<b>Stock code:</b>	9072 – USD counter 3072 – HKD counter	<b>Trading lot size:</b>	10 Units
<b>Manager:</b>	Nikko Asset Management Hong Kong Limited	<b>Underlying index:</b>	iEdge-Factset Global Internet Index
<b>Sub-Manager:</b>	Nikko Asset Management Asia Limited (located in Singapore) (internal delegation)	<b>Base currency:</b>	United States Dollars (USD)
<b>Trustee:</b>	BNP Paribas Trust Services (Hong Kong) Limited	<b>Trading currency:</b>	United States Dollars (USD) Hong Kong Dollars (HKD)
<b>Exchange listing:</b>	SEHK – Main Board	<b>Dividend policy:</b>	Subject to the Manager's discretion, the Manager may pay distributions to unitholders. There is no guarantee to the payment of distributions or frequency of payment. <b>Distributions will be paid in the base currency (USD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion.
<b>Ongoing charges over a year#:</b>	Estimated to be 0.88%		
<b>Estimated annual tracking difference##:</b>	Estimated to be -1.00%		
<b>Financial year end of this fund:</b>	30 June		
<b>ETF website:</b>	www.nikkoam.com.hk/etf/ global-internet-etf		

**What is this product?**

- The Nikko AM Global Internet ETF (the “**Sub-Fund**”) is a fund constituted in the form of a unit trust and is a sub-fund of the Nikko AM Hong Kong Exchange Traded Funds Series. The units of the Sub-Fund (the “**Units**”) are listed on The Stock Exchange of Hong Kong Limited (the “**SEHK**”). These Units are traded on the SEHK like listed stocks.

**Objective and Investment Strategy**

**Objective**

The Sub-Fund's investment objective is to seek to provide investment results that, before fees and expenses, closely correspond to the performance of the iEdge-Factset Global Internet Index (the “**Index**”). There is no assurance that the Sub-Fund will achieve its investment objective.

**Investment Strategy**

In order to achieve the investment objective, the Sub-Fund intends to primarily adopt a full replication strategy through investing directly in stocks included in the Index in substantially the same weightings as these stocks have in the Index. The Sub-Fund may switch between the replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion, and as often as it believes is appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely as possible to the benefit of investors. In pursuing a representative sampling strategy, the Manager may cause the Sub-Fund to

# This is indicative only as the Sub-Fund is newly set up and may vary from year to year. The estimated ongoing charges figure represents the estimated ongoing expenses chargeable to the Sub-Fund over a 12-month period expressed as a percentage of the Sub-Fund's estimated average NAV over the same period. For the first 12-month period from the launch of the Sub-Fund, the ongoing charges figure is capped at 0.88% of the average NAV of the Sub-Fund. Any ongoing expenses exceeding 0.88% of the average NAV of the Sub-Fund during this period will be borne by the Manager and will not be charged to the Sub-Fund.

## This is an estimated annual tracking difference. Investors should refer to the Sub-Fund's website for information on the actual annual tracking difference.

deviate from the Index weighting on the condition that the maximum deviation from the index weighting of any constituent will not exceed 4 percentage points above or below such weighting.

In order to provide the performance of the Index, the Sub-Fund may invest in stocks listed in United States of America, United Kingdom, France, Germany, Hong Kong, Japan, Korea and Singapore, and may include or exclude other markets from time to time.

The Sub Fund will not engage in short selling.

Currently, the Manager has no intention for the Sub-Fund to (i) invest the Sub-Fund in any financial derivative instruments for hedging or non-hedging (i.e. investment) purposes, (ii) invest in structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, (iii) enter into securities lending transactions, sale and repurchase or reverse repurchase transactions or other similar over-the-counter transactions, or (iv) enter into securities borrowing transactions. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to unitholders before the Sub-Fund engages in any such investments.

### **The Index**

The Index is denominated in USD. The Index was launched on 14 December 2018. The Index is a net total return index which aims to track the performance of developed market securities in the internet technologies segments. A net total return index calculates the performance of the index constituents on the basis that any after tax dividends or distributions are reinvested. Stocks captured within the Index include companies primarily in internet and data services, general internet and online services, internet support services, financial software and services, virtual reality and engineering software and online retail business segments. The Index has a basket size of 30 stocks and is free float market capitalisation weighted with a 10% stock cap on each individual Index constituent.

The Index is compiled and published by Singapore Exchange Limited (the "Index Provider"). The Manager and its Connected Persons are independent of the Index Provider.

The Index had a base level of 1,000 on 24 September 2012. For more details of the Index including its constituents and their respective weightings, please refer to the website of the Index Provider at <https://www2.sgx.com/indices/products/ifid>. As at 2 October 2019, the Index comprised 30 constituent stocks and has a market capitalisation of USD2.992 billion.

### **Use of derivatives**

The fund will not use derivatives for any purposes.

### **What are the key risks?**

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

#### **Investment risk**

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

#### **Currency risk**

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund. The net asset value ("NAV") of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

#### **Equity market risk**

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

#### **Concentration risk / software, internet and related services industries risk**

- The Sub-Fund's investments are concentrated in the software, internet and related services sectors, which is characterised by relatively higher volatility in price performance when compared to other economic sectors, the performance of the Index may be more volatile when compared to other broad-based stock indices. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant sectors.

#### **Reliance on the Sub-Manager risk**

- The Manager has delegated the investment discretion of the Sub-Fund to the Sub-Manager and will rely on the Sub-Manager's expertise and systems for the Sub-Fund's investments. Any disruption in the

communication with or assistance from the Sub-Manager or a loss of service of the Sub-Manager or any of its key personnel may adversely affect the operations of the Sub-Fund.

#### **Other currency distributions risk**

- Subject to the Manager's discretion, the Manager may pay distributions to unitholders. There is no guarantee to the payment of distributions or frequency of payment. Unitholders will receive distributions in the base currency (USD) only. In the event that a unitholder has no USD account, the unitholder may have to bear the fees and charges associated with the conversion of such distributions, and bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

#### **Distributions out of or effectively out of capital risks**

- Payment of dividends out of capital or 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 such distributions may result in an immediate reduction in the NAV per Unit of the Sub-Fund.

#### **Passive investment risk**

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

#### **Trading risk**

- 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 NAV.
- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the NAV per unit when buying Units on the SEHK, and may receive less than the NAV per unit when selling Units on the SEHK.

#### **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 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.

#### **Trading differences risks**

- As the stock exchanges in which the Sub-Fund invests 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 stock exchanges in which the Sub-Fund invests and the SEHK may also increase the level of premium or discount of the Unit price to its NAV.

#### **Termination risk**

- The Sub-Fund may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking or if the size of the Sub-Fund falls below USD20,000,000. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

#### **Dual counter risks**

- 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 counter may deviate significantly. As such, investors may pay more or receive less when buying or selling Units traded in one counter than the equivalent amount in the currency of another counter if the trade of the relevant Units took place on that other counter.

#### **Reliance on market maker risks**

- Although the Manager will ensure that at least one market maker will maintain a market for the Units in each counter and that at least one market maker for Units in 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 maker for the Units. There is also no guarantee that any market making activity will be effective.

## How has the Sub-Fund performed?

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

## 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.

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

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Brokerage fee	At each broker’s discretion
Transaction levy	0.0027% of the trading price of the Units <sup>1</sup>
Trading fee	0.005% of the trading price of the Units <sup>2</sup>
Stamp duty	Nil
Inter-counter transfer fee	HKD5 per instruction <sup>3</sup>

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

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

3. HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer between one counter and another 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*	Currently 0.60% per annum
Trustee fee*	Currently up to 0.095% per year of NAV (subject to a minimum of USD38,000 per annum)
Administration fee	Included in the Trustee fee
Performance fee	None

\*Please note that some fees may be increased up to a permitted maximum amount by providing one month’s prior notice (or such shorter period permitted by the SFC) to unitholders. Please refer to the section on “Fees and Charges” in the Prospectus.

### 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 of the Sub-Fund on the website ([www.nikkoam.com.hk/etf/global-internet-etf](http://www.nikkoam.com.hk/etf/global-internet-etf)) (which has not been reviewed or approved by the SFC):
- The Sub-Fund’s Prospectus and product key facts statement (as revised from time to time);
- The latest annual audited accounts and interim half yearly unaudited report (in English only);
- Any notices and public announcements made by the Manager in respect of the Sub-Fund;
- Last NAV in USD and last NAV per Unit of the Sub-Fund in USD and HKD;
- The real-time or near real-time indicative NAV per Unit of the Sub-Fund throughout each Dealing Day in USD and HKD;
- Latest list of Participating Dealers and Market Makers;
- Full portfolio information on a monthly basis (updated within one month of the end of each month);
- The tracking difference and tracking error of the Sub-Fund; and
- The composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

The near real time indicative NAV per Unit is indicative and for reference only. The near real time indicative NAV per Unit in HKD is updated every 15 seconds during SEHK trading hours using the near real time indicative NAV per Unit in USD multiplied by a near real time USD:HKD foreign exchange rate quoted by Thomson Reuters. Since the indicative NAV per Unit in USD will not be updated when the underlying share market(s) are closed, the change in the indicative NAV per Unit in HKD (if any) during such period is solely due to the change in the near real time foreign exchange rate.

The last closing NAV per Unit in HKD is indicative and for reference only and is calculated using the official last closing NAV per Unit in USD multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by WM Co Reuters for HKD at 4:00 p.m. (London time, which is (i) equivalent to 11:00 p.m. (Hong Kong time) during British Summer Time; and (ii) otherwise equivalent to 12:00 a.m. (Hong Kong time)) as of the same Dealing Day.

## 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.