

## Product Key Facts iShares Core MSCI China ETF

BlackRock Asset Management North Asia Limited

30 April 2021

<p><i>This is a passive exchange traded fund.</i></p> <p><i>This statement provides you with key information about this product.</i></p> <p><i>This statement is a part of the Prospectus.</i></p> <p><i>You should not invest in this product based on this statement alone.</i></p>	
<b>Quick facts</b>	
<b>Stock code:</b>	2801
<b>Trading lot size:</b>	200 units
<b>Manager:</b>	BlackRock Asset Management North Asia Limited
<b>Trustee, Registrar and Custodian:</b>	HSBC Institutional Trust Services (Asia) Limited
<b>Ongoing charges over a year<sup>#</sup>:</b>	0.20%
<b>Tracking difference of the last calendar year<sup>##</sup>:</b>	-0.21%
<b>Underlying Index:</b>	MSCI China Index
<b>Base currency:</b>	Hong Kong dollars
<b>Financial year end of this fund:</b>	31 December
<b>Dividend policy:</b>	Annually, at Manager's discretion (usually in November/December each year) (if any). Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. Please refer to the risk factor "Dividends payable out of capital or effectively out of capital risk" on page 4 below.
<b>ETF website:</b>	<a href="http://www.blackrock.com/hk">www.blackrock.com/hk</a> (Please refer to the section Additional Information on how to access the product webpage)

<sup>#</sup> The ongoing charges figure is based on expenses for the year ended 31 December 2020 (calculated in HKD). This figure may vary from year to year. It represents the sum of the ongoing expenses chargeable to the MSCI China ETF expressed as a percentage of the average Net Asset Value

<sup>##</sup> This is the actual tracking difference of the calendar year ended 31 December 2020. Investors should refer to the website of the MSCI China ETF for more up-to-date information on actual tracking difference.

## What is this product?

This is a fund constituted in the form of a unit trust. The units of the iShares Core MSCI China ETF (the “**MSCI China ETF**”) are listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). These units are traded on SEHK like listed stocks.

## Objective and Investment Strategy

### Objective

The MSCI China ETF aims to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI China Index (the “**Underlying Index**”).

### Investment Strategy

The MSCI China ETF may adopt either a representative sampling investment strategy or a replication investment strategy to achieve its investment objective.

A representative sampling investment strategy involves investing in a representative sample of the securities\* in the Underlying Index (either directly or indirectly) selected by the Manager.

The MSCI China ETF may or may not (either directly or indirectly) hold all of the Securities that are included in the Underlying Index, and may hold Securities which are not included in the Underlying Index but which the Manager believes will help the MSCI China ETF achieve its investment objective.

The Manager will select securities based on their contribution to certain capitalisation, industry and fundamental investment characteristics and by doing so, seeking to construct a portfolio that perform like the Underlying Index.

A replication investment strategy involves investing in substantially all the securities (either directly or indirectly) in substantially the same weightings as those securities comprised in the Underlying Index. The Manager may switch between the replication and the representative sampling investment strategies without notice to investors and in its absolute discretion.

The MSCI China ETF may invest in financial derivative instruments (“FDIs”) including futures contracts and swaps for reducing tracking error, hedging purposes or to achieve its investment objective, subject to the limit that the MSCI China ETF’s net derivative exposure does not exceed 50% of MSCI China ETF’s NAV. The MSCI China ETF may only enter into futures contracts which are traded on the Hong Kong Futures Exchange Limited or an international futures exchange which is recognized by the SFC or which is approved by the Trustee and the Manager. The MSCI China ETF currently does not intend to engage in any securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over the counter transactions. One month’s prior notice will be given to unitholders in the event the Manager intends to engage in such activities.

The MSCI China ETF may invest in one or more physical exchange traded funds (ETFs) for cash management and contingency purposes only and if it considers that investing in them is in the best interests of the unitholders taking into account various factors including but not limited to returns to investors, fees, and market conditions. The MSCI China ETF may invest up to 10% of its NAV in one or more underlying ETFs which are non-eligible schemes or not authorised by the SFC and up to 30% of its NAV in each underlying ETF which are eligible schemes or authorised by the SFC, including those which are managed by the Manager or its Connected Persons or other third parties. The Manager intends to treat such underlying ETFs as collective investment schemes for the purposes of and subject to the requirements in Chapters 7.11, 7.11A and 7.11B of the Code.

*\*Including Depositary Receipts and (ii) effective from 1 June 2018, China A shares (by investing via the Stock Connect).*

## Underlying Index

The Underlying Index is a free-float adjusted market capitalisation-weighted index that is compiled and published by MSCI Inc. It is designed to track the equity market performance of (i) Chinese securities (H shares, red chips and P chips) listed on the SEHK, (ii) B shares of Chinese securities listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange (and effective from 1 June 2018, China A shares) and (iii) companies traded outside the country of classification (i.e. foreign listed companies) including those traded by way of Depositary Receipts. As at 31 March 2021, the Underlying Index contained 709 stocks.

For details (including the last closing index level and other important news), please refer to the index website at [www.msci.com](http://www.msci.com). The index constituents and their respective weightings can be accessed on <http://www.msci.com/constituents> (this website has not been reviewed by the SFC).

## Use of derivatives/ investment in derivatives

The MSCI China ETF's net derivative exposure may be up to 50% of the MSCI China ETF's NAV.

## What are the key risks?

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

### 1. Emerging market risk

Generally, investments in emerging markets such as the PRC are subject to a greater risk of loss than investments in developed markets due to greater political, economic, taxation and regulatory uncertainty and risks linked to volatility and market liquidity.

### 2. Concentration risk

The exposure of the MSCI China ETF is concentrated in companies with business operations based and/or controlled by shareholders in the PRC and may be more volatile than funds adopting a more diversified strategy.

### 3. Risks related to the PRC

There can be no assurance that the PRC Government will continue to pursue economic or tax reform policies which will result in economic growth and social progress or continue its existing foreign exchange policy which have significantly reduced government foreign exchange controls. There is also significant uncertainty in interpretation and enforcement of PRC regulations.

### 4. Liquidity risk

The Shanghai Stock Exchange and Shenzhen Stock Exchange in which B shares are traded are undergoing development. This may result in higher market volatility, settlement difficulties and potential lack of liquidity due to low trading volume in the B shares markets, which may in turn result in significant price fluctuations and changes in the net asset value of the MSCI China ETF.

### 5. Foreign security risk

The MSCI China ETF invests in PRC companies which are subject to special risks not typically associated with investing in Hong Kong companies including the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which may affect local investments in foreign countries and potential restrictions on the flow of international capital.

**6. Risks associated with investment in FDIs**

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 MSCI China ETF. Exposure to FDI may lead to a high risk of significant loss by the MSCI China ETF.

**7. Passive investment risk**

The MSCI China ETF is not actively managed and will not adopt any temporary defensive position against any market downturn. Therefore when there is a decline in the Underlying Index, the MSCI China ETF will also decrease in value. Investors may suffer significant losses accordingly.

**8. Underlying Index related risks**

There is no guarantee that the MSCI China ETF will achieve a high degree of correlation to the Underlying Index and therefore achieve its investment objective. Market disruptions and regulatory restrictions could have an adverse effect on the MSCI China ETF's ability to adjust its exposure to the required levels in order to track the Underlying Index. Errors in index data may occur from time to time and may not be identified and corrected for a period of time, and may have an adverse impact on the MSCI China ETF and its Unitholders.

**9. Tracking error risk**

Changes in the NAV of the MSCI China ETF may deviate from the performance of the Underlying Index due to factors such as fees and expenses, liquidity of the index constituents, as well as, changes to the Underlying Index. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

**10. Dividends payable out of capital or effectively out of capital risk**

The Manager may at its discretion pay dividends out of the capital of the MSCI China ETF. The Manager may also, at its discretion, pay dividend out of gross income while all or part of the fees and expenses of the MSCI China ETF are charged to/paid out of the capital of the MSCI China ETF, resulting in an increase in distributable income for the payment of dividends by the MSCI China ETF and therefore, the MSCI China ETF may effectively pay dividend out of capital. 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 distributions involving payment of dividends out of or effectively out of the MSCI China ETF's capital may result in an immediate reduction of the Net Asset Value per Unit.

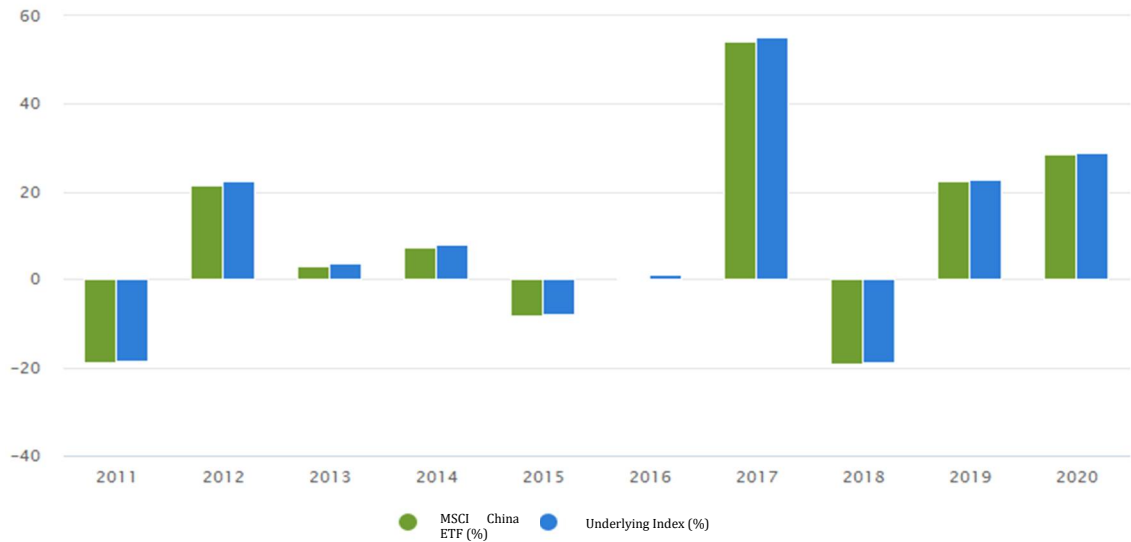
**11. Trading risk**

Generally, retail investors can only buy or sell units on SEHK. The trading price of the units of the MSCI China ETF on SEHK is subject to market forces and may trade at a substantial premium or discount to the NAV.

**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 arrangements, the 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 fund performed?**



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>MSCI China ETF Return (%)</b>	-18.87	21.46	3.06	7.33	-8.18	0.34	54.10	-19.08	22.34	28.65
<b>Underlying Index Return (%)</b>	-18.48	22.50	3.68	7.98	-7.88	0.94	55.34	-18.75	22.87	28.86

- 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 MSCI China ETF increased or decreased in value during the calendar year shown. Performance is calculated in the base currency of the MSCI China ETF, including ongoing charges and excluding your trading costs on SEHK.
- Underlying Index: MSCI China Index.
- Launch date of MSCI China ETF: 23 November 2001.

**Is there any guarantee?**

The MSCI China ETF 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 MSCI China ETF on SEHK**

Fee	What you pay
Brokerage fee	Market Rate
Transaction levy	0.0027% <sup>1</sup>
Trading fee	0.005% <sup>2</sup>
Stamp duty	Nil

**Ongoing fees payable by the MSCI China ETF**

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

	Annual rate (as a % of the fund's value)
Management fee	0.20% p.a. of net asset value calculated daily
Custodian fee	Included in the management fee
Administration fee	Included in the management fee

**Other costs**

Please refer to the Prospectus for other fees and expenses payable by the MSCI China ETF.

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

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

**Additional information**

You can find the following information of the MSCI China ETF at the following website at [www.blackrock.com/hk](http://www.blackrock.com/hk).

- The MSCI China ETF's Prospectus and this statement (as revised from time to time);
- Latest annual audited financial reports and interim half yearly unaudited financial reports;
- Last NAV and last NAV per Unit (each in HKD);
- Near real time indicative NAV per Unit throughout each dealing day (in HKD);
- The MSCI China ETF's holdings (updated on a daily basis);
- The past performance of the MSCI China ETF;
- Public notices and announcements made by the MSCI China ETF;
- Latest list of participating dealers and market makers;
- The tracking difference and tracking error of the MSCI China ETF; and
- Composition of any dividends paid (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months.

Please note that the near real time indicative NAV per unit is for reference only.

All of the information outlined above can be found on the product webpage of the MSCI China ETF. The product webpage of the MSCI China ETF can be located by using the search function and inserting the ticker number of the MSCI China ETF (i.e. 2801) at [www.blackrock.com/hk](http://www.blackrock.com/hk). Investors should note that the website has not been reviewed by the SFC. The product webpage also provides a link to the announcements and notices section of the website where public announcements and notices can be found.

**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.