

# PRODUCT KEY FACTS



## HSBC MSCI Hong Kong ETF a sub-fund of the HSBC ETFs Trust

HSBC Investment Funds (Hong Kong) Limited

12 April 2011

- *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

<b>Stock code:</b>	3000
<b>Trading lot size:</b>	500 units
<b>Manager:</b>	HSBC Investment Funds (Hong Kong) Limited
<b>Investment Adviser:</b>	HSBC Global Asset Management (Hong Kong) Limited (internal delegation)
<b>Trustee and Registrar:</b>	HSBC Institutional Trust Services (Asia) Limited
<b>Estimated total expense ratio (the "TER"):</b>	0.50% per annum of the net asset value
(The TER comprises the Management Fee and the Operating Expenses)	
<b>Underlying Index:</b>	MSCI Hong Kong Index
<b>Base currency:</b>	Hong Kong dollars
<b>Dividend policy:</b>	Nil
<b>Financial year end of this fund:</b>	31 October
<b>ETF website:</b>	<a href="http://www.etf.hsbc.com/hk_3000">www.etf.hsbc.com/hk_3000</a>

### What is this product?

HSBC MSCI Hong Kong ETF (the "Index Fund") is a sub-fund of HSBC ETFs Trust, an umbrella 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 Index Fund are traded on the SEHK like stocks.

### Objective and Investment Strategy

#### Objective

The investment objective of the Index Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI Hong Kong Index (the "Underlying Index").

#### Strategy

In seeking to achieve its investment objective, the Index Fund will primarily use a replication strategy through investing directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in securities included in the Underlying Index in substantially the same weightings in which they are included in the Underlying Index. The Index Fund may also (subject to the limit set out below) invest in derivative instruments linked to the performance of the Underlying Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the Underlying Index) other index that collectively has an investment profile similar to the profile of the

**Underlying Index.**

The Index Fund may also use a representative sampling strategy, which means the Index Fund will invest directly and where considered appropriate (subject to the limit set out below) indirectly via derivative instruments in a representative sample of securities that collectively has an investment profile that aims to reflect the profile of the Underlying Index. The securities constituting the representative sample may or may not themselves be constituents of the Underlying Index. The Index Fund may also invest in (subject to the limit set out below) derivative instruments linked to the performance of the Underlying Index and/or (after considering various factors such as transaction costs, availability, liquidity and degree of correlation with the Underlying Index) other index that collectively has an investment profile similar to the profile of the Underlying Index.

The investment in derivative instruments for non-hedging purposes should not exceed 10% of the net asset value of the Index Fund under normal circumstances.

Investors should note that the Manager may switch between the replication and representative sampling strategies without notice to investors and in its absolute discretion.

Derivative instruments may be used for investment purposes (as explained above), or for the efficient portfolio management of the Index Fund’s assets.

There is no intention for the Index Fund to engage in securities lending, repurchase transaction or other similar over-the-counter transactions.

**Underlying Index**

The Underlying Index is compiled and published by MSCI Inc. (the “Index Provider”) and was launched on 31 December 1969. It is designed to track the equity market performance of Hong Kong securities listed on the SEHK. As of 18 March 2011, the Underlying Index had a total market capitalisation of US\$300,658 million and 40 constituents.

As of 18 March 2011, the 10 largest constituent stocks of the Underlying Index are as follows:

	<b>Company name</b>	<b>Exchange</b>	<b>Sector</b>	<b>Weighting %</b>
1	Hutchison Whampoa	Hong Kong	Industrials	7.71%
2	AIA Group	Hong Kong	Financials	7.54%
3	Sun Hung Kai Properties	Hong Kong	Financials	7.15%
4	Hong Kong Exchanges and Clearing	Hong Kong	Financials	6.98%
5	Cheung Kong Holdings	Hong Kong	Financials	6.90%
6	Li & Fung	Hong Kong	Consumer Discretionary	5.09%
7	CLP Holdings	Hong Kong	Utilities	4.92%
8	Hang Seng Bank	Hong Kong	Financials	3.97%
9	BOC Hong Kong (Holdings)	Hong Kong	Financials	3.71%
10	Swire Pacific A	Hong Kong	Financials	3.53%

For details, please refer to the index website at [www.msci.com](http://www.msci.com).

**What are the key risks?**

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

**1. Investment risk**

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

**2. Concentration risk**

- The Index Fund is subject to concentration risk as a result of tracking the performance of companies whose operations and business are primarily from a single region i.e. Hong Kong.
- The Index Fund is likely to be more volatile than a broadly-based fund such as global or regional equity fund as it is more susceptible to fluctuation in value resulting from adverse conditions in that single region.

**3. Passive investments**

- The Index Fund is not “actively managed” and therefore, when there is a decline in the Underlying Index, the Index Fund will also decrease in value.
- The Manager will not adopt any temporary defensive position against any market downturn. Investors may lose part or all of their investment.

**4. Trading risk**

- Generally, retail investors can only buy or sell units of the Index Fund 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 Index Fund’s net asset value.

**5. Tracking error risk**

- Due to fees and expenses of the Index Fund, liquidity of the market and different investment strategies adopted by the Manager, the Index Fund’s return may deviate from that of the Underlying Index.

**6. Derivatives risk**

- The Index Fund may, subject to its investment restrictions, invest in derivative instruments to gain exposure to constituent securities of the Underlying Index. Such investment in derivative instruments for non-hedging purposes should not exceed 10% of the net asset value of the Index Fund under normal circumstances.
- This means that the Index Fund is subject to counterparty risk and may suffer losses equal to the full value of the derivative instrument if the counterparty fails to perform its obligation under the derivative contract. Any loss would result in a reduction in the net asset value of the Index Fund and impair the abilities of the Index Fund to achieve its investment objective to track its Underlying Index.

**7. Termination risk**

- The Index Fund may be terminated early under certain circumstances, for example the Underlying Index is no longer available for benchmarking or if the size of the Index Fund falls below HK\$100 million after 1 year from the date of the establishment of the Index fund.

**Is there any guarantee?**

The Index 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 headed “Fees and Expenses” in the prospectus for details of other fees and expenses applicable to the creation and redemption of units.*

**Charges incurred when trading the Index Fund on the SEHK**

Fee	What you pay
Brokerage fee	Market rates
Transaction levy	0.003%
Trading fee	0.005%
Stamp duty	0.1%

### Ongoing fees payable by the Index Fund

The following expenses will be paid out of the Index Fund. They affect you because they reduce the net asset value, which may affect the trading price.

	Annual rate (as a % of the net asset value)
<b>Management Fee</b>	0.05% (no increase beyond this rate may be made without Unitholder's approval)
<b>Performance Fee</b>	Nil
<b>Operating Expenses (include Trustee Fee)</b>	0.45% (no increase beyond this rate may be made without Unitholder's approval)
<b>Other costs</b>	Please see the prospectus for further details of other duties, charges and other costs payable by the Index Fund.

### Additional Information

You can find the following information of the Index Fund at the website [www.etf.hsbc.com/hk\\_3000](http://www.etf.hsbc.com/hk_3000):

- the prospectus and this statement
- the latest annual and semi-annual financial reports
- any notices for material alterations or additions to the offering document or constitutive document
- any public announcements made by any Index Fund, including information with regard to the relevant Underlying Index, notices of the suspension of the calculation of the net asset value, changes in fees and the suspension and resumption of trading
- the latest list of the participating dealers and market makers
- the last closing net asset value and the intraday estimated net asset value (on a delayed basis)

The intraday estimated net asset value of the Index Fund will be disclosed on a near real time basis on Bloomberg (Code: 3000IV).

### 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.