

HSBC Hang Seng TECH UCITS ETF

Harnessing China's technological revolution



HSBC
Asset Management

**The Asset
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WINNER**
PASSIVE MANAGER OF THE YEAR

Any performance information shown refers to the past and should not be seen as an indication of future returns.

China – the making of a global technology leader

As the second largest economy in the world, China is moving up the manufacturing and technology value chain as it transforms into a global technology leader.

If the growth of US technology was the story of the nineties and noughties, the last decade was dominated by China's growing technological prowess. China has leading companies in high tech industries including aerospace, robotics and biotech, but this was always the plan, as revealed in the 'Made in China 2025' strategy announcement to a global audience back in 2015¹. What started as a digital evolution became a technology revolution – and it's here to stay.

This has contributed to rapid growth in China's digital economy, becoming the world's second biggest hub for unicorns². These unicorns have the advantage of access to their domestic consumer market of growing numbers of middle class, tech savvy consumers, with over 940 million internet users in China in 2020³ – more than in the US and Europe combined.

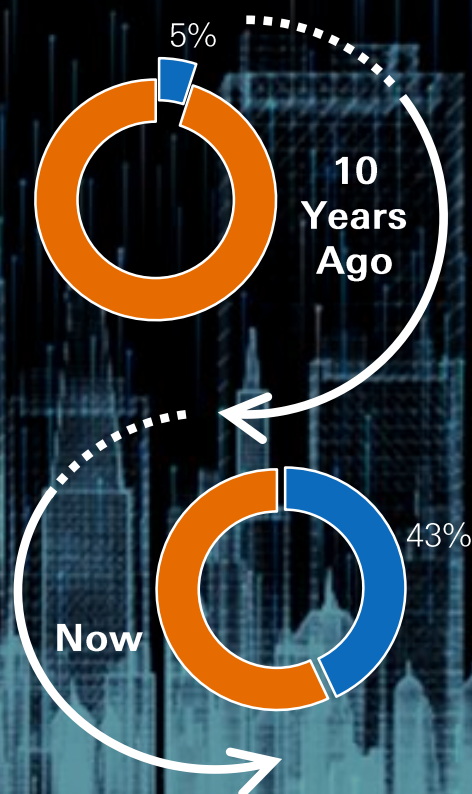
Super-unicorns emerging in China, internationally recognised and valued at more than \$10bn, include Tencent, Alibaba, and Baidu.

Growth in Chinese technology, media and telecommunications companies continues. Despite the COVID-19 pandemic, IPO proceeds for Hong Kong's HKEX exchange was over \$50bn in 2020, led by companies such as Chinese e-commerce company JD.com⁴.

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1. Source: HSBC Global Research
2. Source: Hurun Research Institute, 2020. Unicorns are start-ups valued at over USD1bn
3. Source: Xinhua News Agency, as of June 2020
4. Source: PwC: Total IPO fund raised in Hong Kong predicted hit historical high in 2021, as of January 2021
5. Source: Goldman Sachs Global Research, as of 30 July 2020

Technology now forms an increasingly large representative proportion of investor's exposure to China, as seen in the change of weight in technology theme-related stocks in the MSCI China Index⁵:



■ Tech Theme Related Stocks

With significant mega trends being intrinsically linked to China's technology industry, including 5G cellular rollouts for smartphones; investments in biotech and pharma companies involved in COVID-19 vaccine development and virtual healthcare; and the development of the digital economy, we believe the growth in China's technology sector is here to stay.

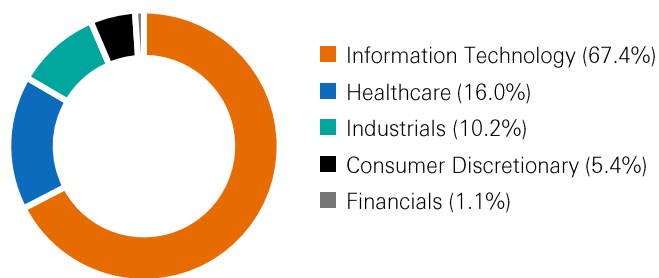
Hang Seng TECH Index – the new reference index for Chinese technology

In July 2020, Hang Seng Indexes successfully brought to the Hong Kong market a highly anticipated new index. Comprising of the 30 largest Hong Kong listed technology companies, the Hang Seng TECH Index provides a specific means to capture the performance of this increasingly important segment.

An impressive line up²

- Ping An Good Doctor**
Offers a mobile platform for online consultation, hospital referral and appointments
- ZhongAn (ZA) Online**
Develops and sells health, airline, and automotive insurance
- China Literature**
Sells e-books and also manages an online publishing house
- Semiconductor Manufacturing International Corporation (SMIC)**
Provides integrated circuit foundry and technology services
- Kingsoft**
Develops role-playing computer games and security, word processing, and spreadsheet software
- Sunny Optical**
Designs and manufactures optical and optical-related products
- Weimob**
Provides cloud-based commerce and marketing solutions

Index Industry Breakdown¹

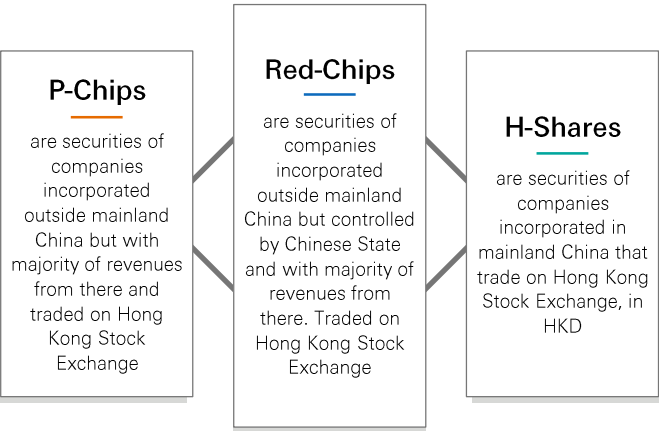


Index Top Holdings¹

| Company Name | Industry | Index Weight |
|-----------------------|-------------|--------------|
| Xiaomi-W | IT | 8.64% |
| JD Health | Healthcare | 8.17% |
| Meituan-W | IT | 8.04% |
| Sunny Optical | Industrials | 7.75% |
| Tencent | IT | 7.52% |
| Baba-SW | IT | 7.07% |
| JD-SW | IT | 6.77% |
| SMIC | IT | 6.11% |
| Ali Health | Healthcare | 5.92% |
| Kingdee International | IT | 4.56% |
| Total weight | | 70.55% |

Did you know?²

The Hang Seng TECH Index comprises of different share class categories, such as:



1. Source: Hang Seng Indexes Limited, as of 31 December 2020
2. Source: Bloomberg and HSBC Global Asset Management UK (Ltd.)

HSBC Hang Seng TECH UCITS ETF – accessing the growth potential of China technology

Our long-established heritage of investing in China puts us in a prime position. We are the first ETF provider to launch a UCITS product for investors who seek easy access to the fast developing Chinese technology market.

The HSBC Hang Seng TECH UCITS ETF provides a simple, transparent and cost efficient opportunity to access the 30 largest technology stocks listed in Hong Kong. This offers exposure across greater China sectors including Information Technology, Healthcare and Consumer Discretionary.

The fund aims to physically replicate the performance of the innovative Hang Seng TECH Index while minimising the tracking error between the fund’s performance and that of the index. This is achieved through our consistent implementation approach focused on both risk and costs that leverages our 30+ years of experience and leading proprietary technology.

| | |
|---------------------------------|--|
| Benchmark | Hang Seng TECH Index (HSTECHN) |
| TER | 0.50% |
| Registration | BE, CH, DE, DK, ES, FI, FR, IE, IT, LU, NL, PT, SE, SG, UK, MX |
| Listings/Ticker | HSTEN MM (MXN) |
| ISIN | IE00BMWXKN31 |
| Base currency | HKD |
| Fund domicile | Ireland |
| UK reporting fund status (UKRS) | Yes |
| Replication methodology | Physical replication |
| Dividend policy | Accumulating |

Source: HSBC Global Asset Management UK (Ltd.), as at January 2021

Investing in our ETFs

Experience in managing Exchange-Traded Funds

HSBC Global Asset Management UK (Ltd.) launched our first index tracker fund in the UK in 1998. We have been a leader in a number of key passive trends, including managing exchange-traded funds since 2003, when we launched our first products in Hong Kong. In late 2009, we launched our first UCITS ETFs in Europe. We now have a range of 35 ETFs for a total of USD 12.9bn in AUM as at December 2020.

Investing in proprietary technology

Our proprietary technology ensures the efficiency and accuracy of information – supporting consistent tracking and fund performance. Our proprietary technology has been designed by our investment teams to meet our rigorous and robust requirements, ensuring cost savings and better performance outcomes for both our funds and our investors.

Enhanced risk management, control and monitoring

The management and control of a range of risks are key to our investment process – not only during portfolio construction but throughout the life-cycle of the portfolio. Risk management is central to our investment process both before and after investment decisions are made.

We also manage and implement the impact of index rebalancing, currency exchange rate exposures and, corporate action events such as mergers and acquisitions, stock splits, rights issues, spin-offs or the receipt of interest and dividends.

As a bank-owned asset manager, we are subject to very robust risk parameters and strict governance rules. Our risk management division also benefits from its alignment and operation within the global framework of HSBC Group – this facilitates the sharing of best practice, controls and ideas while also ensuring the independence of our risk management division.

Our expertise in China

Investing in China's rapidly-changing economy and markets, requires not only high quality research, but also local insights and knowledge of various atypical market regulations and practices.

HSBC has longstanding presence in China among all foreign financial institutions, and is the leading foreign bank in China. HSBC Jintrust, our Shanghai-based joint venture, provides on-the-ground expertise and insights, supporting our investment capabilities.

Our robust team of investment professionals understand the changing dynamics within Chinese markets, interpret their implications in the right way and make appropriate investment decisions.

30+ Years

Robust tracking

All our funds are either physically replicated or physically optimised
Our conscientious and value-added approach to passive management has enabled us to produce returns that closely track that of the index, while remaining within the target tracking tolerances

Competitive pricing

Ability to offer competitive TER/OCF across our ETFs

Well resourced teams

Dedicated ETF Sales and ETF Capital Market teams on hand to help
Team of investment management professionals with a depth of experience in index-based investing

Transparency

Fully transparent, with physical replication
All constituents online

Strong relationship with administrator

Partnership with administrator and custodian
Strong NAV tolerance tools – more accurate valuations
Investment team oversight

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Source: HSBC Global Asset Management UK (Ltd.), as at December 2020

Contact

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Key risks

The value of an investment in the portfolios and any income from them can go down as well as up and as with any investment you may not receive back the amount originally invested.

- ◆ **Concentration Risk:** The Fund may be concentrated in a limited number of securities, economic sectors and/or countries. As a result, it may be more volatile and have a greater risk of loss than more broadly diversified funds
- ◆ **Counterparty Risk:** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations
- ◆ **Derivatives Risk:** Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset
- ◆ **Emerging Markets Risk:** Emerging markets are less established, and often more volatile, than developed markets and involve higher risks, particularly market, liquidity and currency risks.
- ◆ **Exchange Rate Risk:** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly
- ◆ **Index Tracking Risk:** To the extent that the Fund seeks to replicate index performance by holding individual securities, there is no guarantee that its composition or performance will exactly match that of the target index at any given time ("tracking error")
- ◆ **Investment Leverage Risk:** Investment Leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source
- ◆ **Liquidity Risk:** Liquidity Risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors
- ◆ **Operational Risk:** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things

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