



恒生投資

HANG SENG INVESTMENT

**IMPORTANT RISK WARNINGS / FUND INFORMATION FOR HONG KONG INVESTORS**

Hang Seng CMS Bloomberg US Treasury 7-10 Year Index ETF (the "Fund") offers both listed class of Units ("Listed Class Units") and unlisted classes of Units ("Unlisted Class Units"). Switching between Unlisted Class Units and Listed Class Units is not available. (Capitalised terms used herein but not otherwise defined will have the same meanings as defined in the Hong Kong Offering Document of the Hang Seng Investment Index Funds Series IV (the "Series") and the relevant Appendix of the Fund)

Applicable to both Listed Class Units and Unlisted Class Units:

- The Fund is an index-tracking fund which aims to match as closely as practicable, before fees and expenses, the US dollar-denominated total return performance of the Bloomberg US Treasury 7-10 Year Index (the "Index").
- The Fund is subject to investment risks, concentration risk / single issuer risk, risks associated with investments in fixed income instruments, passive investment risks, tracking error risks, termination risks, reliance on the same group risk, reliance on the investment sub-manager risk, risks associated with investment in financial derivative instruments, risk of investing in other collective investment schemes.
- Investors of Listed Class Units and Unlisted Class Units are subject to different pricing and dealing arrangements and may be at an advantage or disadvantage depending on market conditions. The Net Asset Value per Unit of each of the Listed Class Units and Unlisted Class Units may be different due to different fees and cost arrangement applicable to the units.
- The Manager may at its discretion pay dividend out of capital or effectively out of the capital<sup>^</sup> of the Fund. Payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any such capital gains attributable to that original investment. Any such distributions may result in an immediate reduction in the Net Asset Value per Unit.

<sup>^</sup> The Manager may at its discretion pay distribution out of gross income while charging/paying all or part of the Fund's fees and expenses to/out of the capital of the Fund (resulting in an increase in distributable income for the payment of distribution by the Fund), and thereby effectively pay distributions out of the capital of the Fund.

Risks applicable to Listed Class Units only:

- The Listed Class Units of the Fund is subject to trading risks, trading differences risk, reliance on market maker risks, and currency risk.

Risks applicable to Unlisted Class Units only:

- The Unlisted Class Units of the Fund is subject to currency and exchange rate control risk and, where applicable currency hedging risk.

Investments involve risks and investors may lose substantial part of their investment in the Fund. Investors should not only base on this material alone to make investment decisions, but should read the Fund's offering documents (including the full text of the risk factors stated therein) in detail.

# Hang Seng CMS Bloomberg US Treasury 7-10 Year Index ETF

Stock code

**3435**



**Get On Track to  
Capture Potential Returns  
from US Treasuries**

# Hang Seng CMS Bloomberg US Treasury 7-10 Year Index ETF



Underlying US Treasuries are Backed by US Government



Upside Opportunity in Fed Rate Cut Cycle



Easy Access to US Treasuries for Stable Income Stream

## Why US Treasuries?

- US Treasuries are widely regarded as low risk assets

### Vote of Confidence by Credit Agencies and Sovereignty

#### US Credit Rating<sup>1</sup>

**Aaa**

Moody's

**AA+**

Standard & Poor's

**AA+**

Fitch

#### Top 5 Sovereignty Holders of US Treasuries<sup>2</sup>

1

Japan

\$1,128

2

Mainland China

\$768

3

United Kingdom

\$723

4

Luxembourg

\$385

5

Canada

\$355

Amount (\$ in USD billions)



## What is Duration and Why it Matters?



Duration\* measures the sensitivity of bond price to the changes in interest rates.

\*In terms of years

Shorter-duration Bonds

Lower

Lower Volatility

### Price Sensitivity to Rate Movement

Longer-duration Bonds

Higher

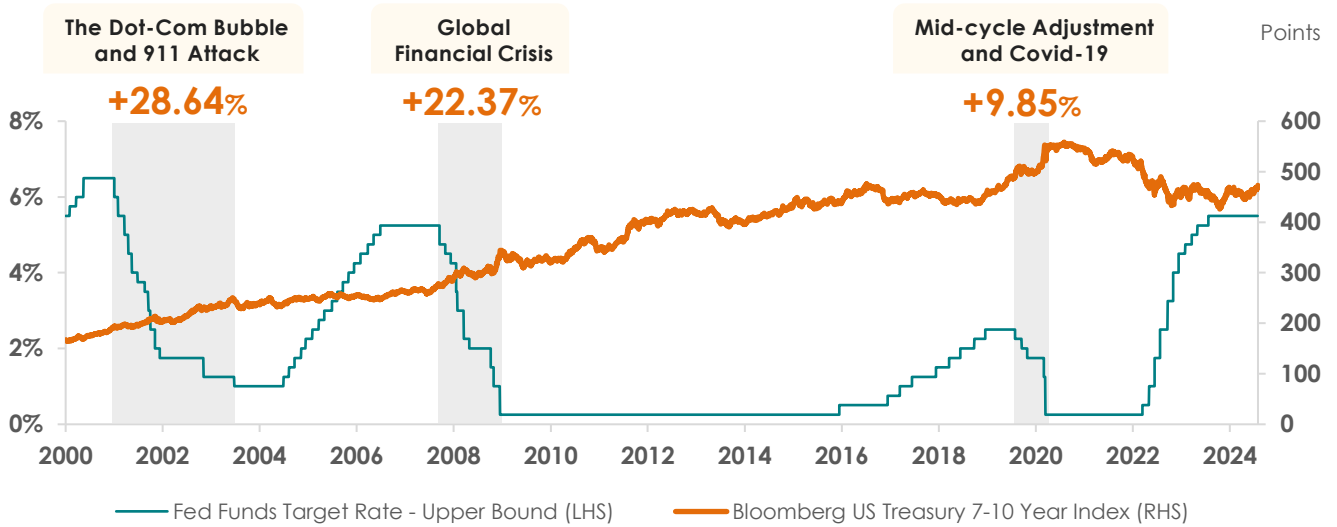
Upside Opportunity in Rate Cut Environment

1. Source: Hang Seng Investment, Bloomberg, as of 5 August 2024.  
2. Source: Hang Seng Investment, Bloomberg, as of 31 May 2024.

# Edges of Bloomberg US Treasury 7-10 Year Index

## #1 Upside Opportunity in Fed Rate Cut Cycle

Index Performance during Rate Cut Periods<sup>3</sup>



## #2 Better Risk-adjusted Returns than Longer Term US Treasuries

| Index                                 | Sharpe Ratio over past 20 years <sup>4</sup> |
|---------------------------------------|--|
| Bloomberg US Treasury 7-10 Year Index | 0.28   |
| Bloomberg US Treasury 20+ Year Index  | 0.16   |

# Benefits of Hang Seng CMS Bloomberg US Treasury 7-10 Year Index ETF (compared to a single US Treasury Note with similar tenor)



### No Hassle for Reinvestments

Handled by the investment team to align with index rebalancing



### Easy Accessibility

Access with HK stocks trading account



### More Frequent Payout

Dividends are paid quarterly\*, compared with semi-annual fixed-rate interest payments

\*on a discretionary basis



### Convenient Trading

Trade in HKD without the need to convert to USD

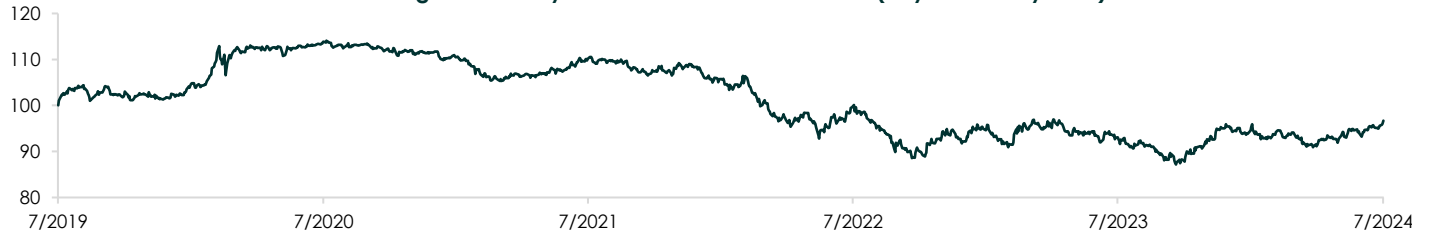
3. Source: Hang Seng Investment, Bloomberg, as of 31 July 2024. The performance of indices is based on total return. A Fed rate cycle is defined as the period from the peak of the interest rate to the bottom of the rate cut. Rate cut periods: 1. The Dot-com Bubble and 911 Attack in 2001: 3 Jan 2001 to 25 Jun 2003; 2. Global Financial Crisis in 2007-2008: 18 Sep 2007 to 16 Dec 2008; 3. Mid-cycle Adjustment and Covid-19 in 2020: 1 Aug 2019 to 16 Mar 2020.

4. Source: Hang Seng Investment, Bloomberg, as of 31 July 2024. Sharpe ratio is calculated using the 3-Month US Treasury Yield as the risk-free rate and from 31 July 2004 to 31 July 2024.

# Index Information

## Index Performance

Bloomberg U.S. Treasury 7-10 Year Index Performance (July 2019 – July 2024)<sup>5</sup>



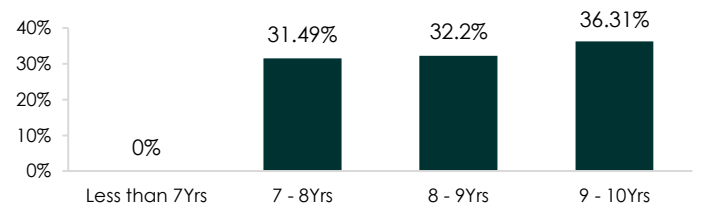
### Cumulative Performance<sup>6</sup>

| 1Yr   | 3Yrs    | 5Yrs   |
|-------|---------|--------|
| 3.87% | -12.20% | -3.34% |

### Calendar Year Performance<sup>6</sup>

| YTD   | 2023  | 2022    | 2021   | 2020  | 2019  |
|-------|-------|---------|--------|-------|-------|
| 1.27% | 3.58% | -14.89% | -3.07% | 9.98% | 8.49% |

### Maturity Breakdown<sup>7</sup>



### Index Characteristics<sup>7</sup>

| Number of Holdings | Average Maturity | Effective Duration | Yield to Maturity | Average Credit Rating <sup>8</sup> |
|--------------------|------------------|--------------------|-------------------|------------------------------------|
| 12                 | 8.50Yrs          | 7.20Yrs            | 4.03%             | AAA                                |

# Fund Information

## Key Facts

|   |  |
|---|--|
| Stock Code                              | HKD Counter: 3435  |
| Listing Date                            | 16 September 2024  |
| Investment Objective                    | The Fund is an index-tracking fund which aims to match as closely as practicable, before fees and expenses, the USD denominated total return performance of the Bloomberg US Treasury 7-10 Year Index. |
| Manager                                 | Hang Seng Investment Management Limited  |
| Investment Sub-Manager                  | CMS Asset Management (HK) Co., Limited (based in Hong Kong, external delegation)   |
| Base Currency                           | USD  |
| Trading Currency                        | HKD  |
| Issue Price                             | HKD 78   |
| Lot Size                                | 10 Units   |
| Distribution Frequency                  | Quarterly (if any)   |
| ISIN Code                               | HK0001048260   |
| Bloomberg Code                          | 3435 HK  |
| Management Fee <sup>9</sup>             | Up to 0.2% per annum in respect of the Listed Class only   |
| Total Expense Ratio (TER) <sup>10</sup> | 0.46% per annum  |

## Underlying Index Information

|                  |                                       |                     |         |
|------------------|---------------------------------------|---------------------|---------|
| Underlying Index | Bloomberg US Treasury 7-10 Year Index | Rebalance Frequency | Monthly |
| Bloomberg Code   | LT09TRUU                              |                     |         |

- Source: Bloomberg, Data as of 31 July 2024. Data has been re-based at 100.
- Source: Bloomberg, Data as of 31 July 2024. All figures are calculated in total return.
- Source: Bloomberg, Data as of 31 July 2024.
- If debt securities or their issuers are rated by multiple internationally recognized agencies, the highest assigned rating will be used for calculations if the ratings differ.
- Please note that the annual rate stated may be increased up to a permitted maximum rate as set out in the Prospectus of the Fund by giving one month's prior notice to relevant Unitholders. Please refer to the "Fees and Expenses" section of the Prospectus for further details of the fees and charges payable.
- This figure is an estimate only (as the Fund is newly set up) and represents the sum of the estimated ongoing expenses chargeable to the Units over a 12-month period expressed as a percentage of the estimated average NAV of the Units over the same period. The actual figures may be different from the estimate. Please refer to the "Fees and Expenses" section in the Prospectus for details. This figure may vary from year to year.

## Disclaimer

"Bloomberg®" and the indices referenced herein (the "Indices", and each such index, an "Index") are trademarks or service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the Index (collectively, "Bloomberg") and/or one or more third-party providers (each such provider, a "Third-Party Provider,") and have been licensed for use for certain purposes to HANG SENG INVESTMENT MANAGEMENT LIMITED (the "Licensee"). To the extent a Third-Party Provider contributes intellectual property in connection with the Index, such third-party products, company names and logos are trademarks or service marks, and remain the property, of such Third-Party Provider. Bloomberg is not affiliated with the Licensee or a Third-Party Provider, and Bloomberg does not approve, endorse, review, or recommend the financial products referenced herein (the "Financial Products"). Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to the Indices or the Financial Products. The content is prepared by Hang Seng Investment Management Limited ("HSVM"). The content shall not be changed or modified and the content shall not be used in any other manner unless with the prior written consent of HSVM. At the time of publication of the content, certain information of the content is obtained and prepared from sources which HSVM believes to be reliable, and HSVM does not warrant, guarantee or represent the accuracy, validity or completeness of such information.

Under no circumstances shall the content constitute a representation that it is correct as of any time subsequent to the date of publication. HSVM reserves the right to change the content without notice. The content is for reference only and is the view of HSVM and does not constitute and should not be regarded as an offer or solicitation to anyone to invest into any investment product. You should read the relevant investment product's offering document (including the full text of the risk factors and charges stated therein). Investment involves risks (including the risk of loss of capital invested), prices of investment product units may go up as well as down, past performance is not indicative of future performance. A positive distribution rate (if any) does not imply a positive return. Fund award (if any) is for reference only and does not guarantee any fund performance or the performance of HSVM. If you have any doubt about the content or investment product (including its offering document), you should seek independent professional financial advice. HSVM will not be liable to anyone for any cost, claims, fees, penalties, loss or liability incurred if the content is improperly used. The content shall not be duplicated or stored or distributed or "Hang Seng Investment Management Limited", "恒生投资管理有限公司", "恒生投资管理", "恒生投資" or any marks containing these names shall not be used without the prior written consent of HSVM. HSVM and Hang Seng Indexes Company Limited and other index companies (collectively "Index Companies") are separate and independent entities. HSVM's views and opinions do not represent the views or opinions of the Index Companies and HSVM cannot influence Index Companies on any matter. Where the investment products referred to in the content have been authorized by the Securities and Futures Commission or the China Securities Regulatory Commission or other regulators (as the case may be), such authorization is not a recommendation or endorsement of the investment products and does not guarantee the commercial merits of the investment products or their performance. It does not mean the investment products are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors. The content has not been reviewed by the Securities and Futures Commission.

**Offering Documents**

**Official Website**

Hang Seng Investment