



恒生投資

HANG SENG INVESTMENT

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

Hang Seng CMS Bloomberg US Treasury 1-3 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 1-3 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 1-3 Year Index ETF

Stock code

**3436**



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

# Hang Seng CMS Bloomberg US Treasury 1-3 Year Index ETF



Underlying US Treasuries are Backed by US Government



Yield to Maturity has High Correlation with Fed Funds Rate and Lower Volatility



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

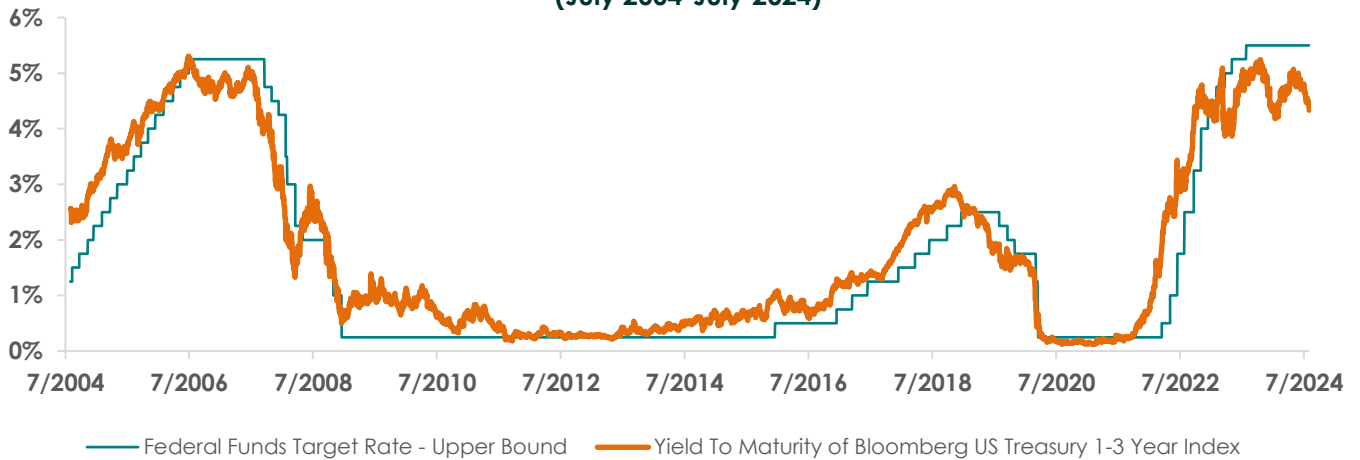
Upside Opportunity in Rate Cut Environment

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 1-3 Year Index

## #1 Yield To Maturity has High Correlation with Federal Funds Rate

Yield To Maturity of the Index vs. Federal Funds Rate  
(July 2004-July 2024)<sup>3</sup>



## #2 Lower Volatility than Longer Term US Treasuries

Index	3-Year Volatility <sup>4</sup>
Bloomberg US Treasury 1-3 Year Index	2.18%
Bloomberg US Treasury 20+ Year Index	17.55%

# Benefits of Hang Seng CMS Bloomberg US Treasury 1-3 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

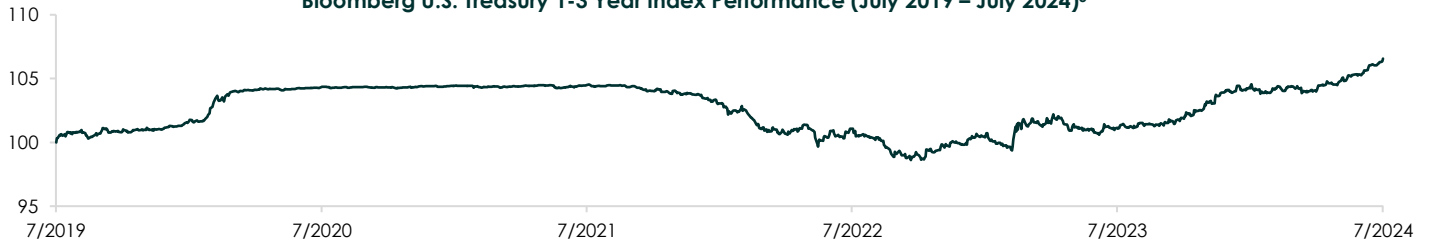
3. Source: Hang Seng Investment, Bloomberg, as of 31 July 2024.

4. Source: Hang Seng Investment, Bloomberg, as of 31 July 2024. Volatility is calculated based on a daily return basis for the period from 31 July 2021 to 31 July 2024.

# Index Information

## Index Performance

Bloomberg U.S. Treasury 1-3 Year Index Performance (July 2019 – July 2024)<sup>5</sup>



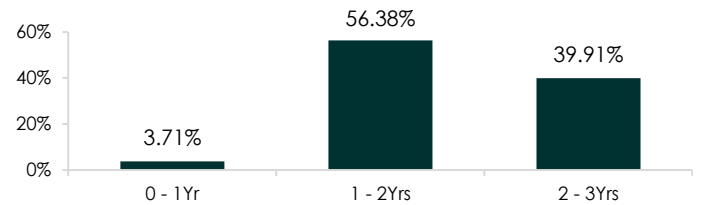
### Cumulative Performance<sup>6</sup>

1Yr	3Yrs	5Yrs
5.36%	1.99%	6.57%

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

YTD	2023	2022	2021	2020	2019
2.37%	4.29%	-3.81%	-0.60%	3.16%	3.59%

### 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>
96	1.96Yrs	1.86Yrs	4.33%	AAA

# Fund Information

## Key Facts

Stock Code	HKD Counter: 3436
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 1-3 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	HK0001048344
Bloomberg Code	3436 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 1-3 Year Index	Rebalance Frequency	Monthly
Bloomberg Code	LT01TRUU		


- 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.

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**Official Website**





**Hang Seng Investment**

