

**Nikko Asset Management Hong Kong Limited**  
**NikkoAM E-Games Active ETF**  
a sub-fund of  
**the Nikko AM Hong Kong Exchange Traded Funds Series**

8 June 2020

- ***This is an active exchange traded fund.***
- ***This statement provides you with key information about this product.***
- ***This statement is a part of the offering documents.***
- ***You should not invest in this product based on this statement alone.***

**Quick facts**

<b>Stock code:</b>	9091 – USD counter	<b>Trading lot size:</b>	10 Units
	3091 – HKD counter	<b>Base currency:</b>	United States Dollars (USD)
<b>Manager:</b>	Nikko Asset Management Hong Kong Limited	<b>Trading currency:</b>	United States Dollars (USD) Hong Kong Dollars (HKD)
<b>Sub-Manager:</b>	Nikko Asset Management Asia Limited (located in Singapore) (internal delegation)	<b>Exchange listing:</b>	SEHK – Main Board
		<b>Dealing frequency:</b>	Daily
<b>Trustee:</b>	BNP Paribas Trust Services (Hong Kong) Limited		
<b>Financial year end of this fund:</b>	30 June	<b>Dividend policy:</b>	Subject to the Manager's discretion, the Manager may pay distributions to unitholders. There is no guarantee to the payment of distributions or frequency of payment. <b>Distributions will be paid in the base currency (USD) only.</b> Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion.
<b>Ongoing charges over a year#:</b>	Estimated to be 0.70%		
<b>Management Fee:</b>	Currently 0.50% of Net Asset Value of the Units per annum (from launch until 30 April 2021) The default rate is 0.95% of Net Asset Value of the Units per annum, subject to any applicable discount(s) (if any). The management fee may range from 0.50% to 0.95% of Net Asset Value of the Units per annum. A "Variable Annual Management Fee" is adopted in respect of the Units. For details please refer to the section "Ongoing fees payable by the fund" below and the Prospectus		
<b>ETF website:</b>	www.nikkoam.com.hk/e-games-active-etf		

**What is this product?**

- The NikkoAM E-Games Active ETF (the "**Sub-Fund**") is a fund constituted in the form of a unit trust and is a sub-fund of the Nikko AM Hong Kong Exchange Traded Funds Series. The listed class of units of the Sub-Fund (the "**Units**") are listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**") and are traded on the SEHK like listed stocks. The Sub-Fund is an actively managed exchange traded fund under 8.10 of the Code on Unit Trusts and Mutual Funds (the "**Code**").
- **The Sub-Fund has both listed class of Units (the "Listed Class of Units") and unlisted class of Units (the "Unlisted Class of Units"). This statement contains information about the offering of the Listed Class of Units only, and unless otherwise specified references to "Units" in this statement shall refer to the "Listed Class of Units". The Unlisted Class of Units will not be offered to Hong Kong investors.**

# This is indicative only as the Sub-Fund is newly set up and may vary from year to year. The estimated ongoing charges figure represents the estimated ongoing expenses chargeable to the Units over a 12-month period expressed as a percentage of the Units' estimated average NAV over the same period. For the first 12-month period from the launch of the Sub-Fund, the ongoing charges figure excluding the management fee of the Units is capped at 0.20% of the average NAV of the Units. Any such ongoing expenses excluding the management fees of the Units that is over 0.20% of the average NAV of the Units will be borne by the Manager and will not be charged to the Units.

## Objective and Investment Strategy

### Objective

The Sub-Fund's investment objective is to achieve long term capital growth by primarily investing in companies directly or indirectly involved in electronic games, mobile games or electronic sports businesses (collectively "E-Games business"). There is no assurance that the Sub-Fund will achieve its investment objective.

### Investment Strategy

The Sub-Fund will invest primarily (i.e. at least 70% of its Net Asset Value ("NAV")) in equities of companies which are directly or indirectly involved in E-Games business. Companies which are directly related to the E-Games business may include those which are involved in the design and development of electronic games, mobile games and/or involved in the organising of electronic sports events. Companies which are indirectly related to the E-Games business may provide ancillary services to these industries, such as providing hardware and software technology solutions, and/or providing global infrastructure and telecommunication solutions to facilitate these businesses. For avoidance of doubt, this is a non-exhaustive illustration of companies that may be directly involved or indirectly involved in E-Games business in which the Sub-Fund will primarily invest. These equities (which may include listed American Depositary Receipts ("ADRs") and Global Depositary Receipts ("GDRs")) may be listed on any exchange globally. The Sub-Fund will invest up to 85% of its NAV in emerging markets. Exposure to these equities may be obtained by investing in exchange traded funds ("ETFs") as a means of transition management if access to such equities is not yet available to the Sub-Fund. Investments in ETFs by the Sub-Fund are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

The Sub-Fund may use financial derivatives instruments for hedging purposes only.

Currently, the Manager has no intention for the Sub-Fund to (i) invest in any financial derivative instruments for non-hedging (i.e. investment) purposes, (ii) invest in structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, (iii) enter into securities lending transactions, sale and repurchase or reverse repurchase transactions or other similar over-the-counter transactions, or (iv) enter into securities borrowing transactions. The Manager will seek the prior approval of the SFC (if required) and provide at least one month's prior notice to unitholders before the Sub-Fund engages in any such investments.

In addition to the relevant investment restrictions set out in the Code, the Sub-Fund is subject to the following additional restrictions. The Sub-Fund does not currently:

- (i) intend to invest more than 5% of its net asset value in aggregate into collective investment schemes (excluding any collective investment scheme which is listed and traded on any exchange);
- (ii) intend to acquire shares in any single company if, as a result of such acquisition, the total number of shares in such company held by all collective investment schemes which are managed by the Manager would exceed 50% of the total number of all issued and outstanding shares in such company; or
- (iii) intend to engage in short selling.

### Use of derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its NAV.

### What are the key risks?

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

#### Investment risk

- The Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

#### Active investment management risk

- The Sub-Fund employs an actively managed investment strategy. The Sub-Fund does not seek to track any index or benchmark, and there is no replication or representative sampling conducted by the Manager or the Sub-Manager. It may fail to meet its objective as a result of the Manager or the Sub-Manager's selection of investments, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to other index tracking funds with a similar objective.

#### Currency risk

- Investments of the Sub-Fund may be denominated in currencies other than the base currency and trading currencies of the Sub-Fund. The NAV of the Sub-Fund may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and trading currencies of the Sub-Fund and by changes in exchange rate controls

**Equity market risk**

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- The Sub-Fund may invest in small and mid-capitalisation companies. The stocks of such companies may have lower liquidity and their prices are more volatile to adverse economic developments than those of larger capitalisation companies in general.

**Depository receipts risk**

- Exposure to depository receipts including ADRs and GDRs may generate additional risks compared to a direct exposure to the underlying stocks, in particular the risk of non-segregation under applicable law of the depository bank who hold the underlying stock as collateral and its own assets. In case of bankruptcy of the depository bank, there could be a risk that the underlying shares would not be attributed to holders of depository receipts, although segregation is an integral part of the depository agreement regulating the issuance of the ADRs and GDRs. In such case, the most likely scenario would be the trading suspension and thereafter a freeze of the price of the depository receipts impacted by such bankruptcy event. Bankruptcy events in respect of the depository banks issuing the depository receipts may negatively affect the performance and/or the liquidity of the Sub-Fund.
- Also, depository receipts holders generally do not have the same right as the direct shareholders of the underlying stocks. The performance of depository receipts may also be impacted by the related fees, for example fees charged by banks for the custody of underlying assets of depository receipts. The Sub-Fund may also be subject to liquidity risk as depository receipts are often less liquid than the corresponding underlying stocks. These may negatively affect the performance and/or liquidity of the Sub-Fund.

**Emerging markets risk**

- The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risk, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

**Concentration risk / electronic games, mobile games and electronic sports sectors risk**

- The Sub-Fund's investments are concentrated in the electronic games, mobile games and electronic sports sectors, which may experience relatively higher volatility in price performance when compared to other economic sectors. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant sectors.
- Electronic games, mobile games and electronic sports companies face intense competition, both domestically and internationally, may have limited product lines, markets, financial resources, or personnel, may have products that face rapid obsolescence, and are heavily dependent on the protection of patent and intellectual property rights. Electronic games, mobile games and electronic sports companies may be dependent on one or a small number of product or product franchises for a significant portion of their revenue and profits. They may also be subject to shifting consumer preferences, including preferences with respect to gaming console platforms, and changes in consumer discretionary spending. Such factors may adversely affect the profitability and value of these companies. Electronic games, mobile games and electronic sports companies are also subject to increasing regulatory constraints, particularly with respect to cybersecurity and privacy, and may be subject to sophisticated intellectual property infringement schemes and piracy efforts. All of these may affect the companies which are directly related to or involved in the electronic games, mobile games and electronic sports sector, as well as companies which are indirectly related to the sector (including companies providing ancillary services to companies in this sector), and may in turn affect the value of the Sub-Fund's investments in these companies.

**Reliance on the Sub-Manager risk**

- The Manager has delegated the investment discretion of the Sub-Fund to the Sub-Manager and will rely on the Sub-Manager's expertise and systems for the Sub-Fund's investments. Any disruption in the communication with or assistance from the Sub-Manager or a loss of service of the Sub-Manager or any of its key personnel may adversely affect the operations of the Sub-Fund.

**Risk associated with investing in other ETFs**

- The ETFs in which the Sub-Fund may invest into may not be regulated by the SFC. There will be additional costs involved when investing into such ETFs. There is also no guarantee that the ETFs will always have sufficient liquidity to meet the Sub-Fund's redemption requests in the primary market as and when made. The Sub-Fund does not have control over the investments of these ETFs. There can also be no assurance that an ETF's investment strategy will be successful or that its investment objective will be achieved.
- Conflicts of interests may arise in a situation where the Sub-Fund invests in other funds managed by the Manager or its connected persons. The Manager will use its best endeavours to avoid and resolve such conflicts fairly.

**Eurozone risk**

- In light of ongoing concerns on the sovereign debt risk of certain countries within the Eurozone, the Sub-Fund's investments in the region may be subject to higher volatility, liquidity, currency and default risks. Any adverse events, such as credit downgrade of a sovereign or exit of EU members from the Eurozone, may have a negative impact on the value of the Sub-Fund.

**Derivatives risk**

- The Sub-Fund may from time to time invest in financial derivative instruments for hedging purposes. The use of such derivatives exposes the Sub-Fund to additional risks, including volatility risk, valuation risk, leverage risk, liquidity risk, correlation risk, counterparty/credit risk, legal risk, over-the-counter transaction risk and settlement risk. The leverage element/component of financial derivative instruments can result in a loss significantly greater than the amount invested in such derivatives by the Sub-Fund. Exposure to financial derivative instruments may lead to a high risk of significant loss by the Sub-Fund.

**Other currency distributions risk**

- Subject to the Manager's discretion, the Manager may pay distributions to unitholders. There is no guarantee to the payment of distributions or frequency of payment. Unitholders will receive distributions in the base currency (USD) only. In the event that a unitholder of Units traded in the HKD counter has no USD account, the unitholder may have to bear the fees and charges associated with the conversion of such distributions, and bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

**Distributions out of or effectively out of capital risks**

- 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 such distributions may result in an immediate reduction in the NAV per Unit of the Sub-Fund.

**Trading risk**

- 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 NAV and may deviate significantly from the NAV per Unit.
- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the NAV per unit when buying Units on the SEHK, and may receive less than the NAV per unit when selling Units on the SEHK.

**Trading differences risks**

- As the stock exchanges in which the Sub-Fund invests may be open when Units in the Sub-Fund are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell the Sub-Fund's Units. Differences in trading hours between the stock exchanges in which the Sub-Fund invests and the SEHK may also increase the level of premium or discount of the Unit price to its NAV.
- Shares listed on certain stock exchanges are subject to trading bands which restrict increase and decrease in the trading price, while Units listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit price to Sub-Fund's NAV.

**Termination risk**

- The Sub-Fund may be terminated early under certain circumstances, for example, if the size of the Sub-Fund falls below USD20,000,000. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

**Dual counter risks**

- If there is a suspension of the inter-counter transfer of units between the counters and/or any limitation on the level of services by brokers and CCASS participants, unitholders will only be able to trade their units in one counter only, which may inhibit or delay an investor dealing. The market price of units traded in each counter may deviate significantly. As such, investors may pay more or receive less when buying or selling Units traded in one counter than the equivalent amount in the currency of another counter if the trade of the relevant Units took place on that other counter.

**Reliance on market maker risks**

- Although the Manager will ensure that at least one market maker will maintain a market for the Units in each counter and that at least one market maker for Units in each counter gives not less than 3 months' notice prior to terminating market making arrangement under the relevant market maker agreement, 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 Sub-Fund performed?

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

## Is there any guarantee?

The Sub-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 "Fees and Expenses" of the Prospectus for details of other fees and expenses.

Fee	What you pay
Brokerage fee	At each broker's discretion
Transaction levy	0.0027% of the trading price of the Units <sup>1</sup>
Trading fee	0.005% of the trading price of the Units <sup>2</sup>
Stamp duty	Nil
Inter-counter transfer fee	HKD5 per instruction <sup>3</sup>

1. Transaction levy of 0.0027% of the price of the Units, payable by each of the buyer and the seller.

2. Trading fee of 0.005% of the price of the Units, payable by each of the buyer and the seller.

3. HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer between one counter and another counter. Investors should check with their brokers regarding any additional fees.

### Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the NAV which may affect the trading price.

	Annual rate (as a % of the Sub-Fund's NAV)
Management fee*	<p>Currently 0.50% per annum (from launch until 30 April 2021).</p> <p>A "Variable Annual Management Fee" is adopted in respect of the Units such that the management fee level may be adjusted annually according to past performance.</p> <p>The calculation of the Variable Annual Management Fee is determined by applying discounts (where applicable) from 3 Total Return ("TR") conditions to the default fee rate of 95 basis points* (0.95%) per annum. The management fee may range from 0.50% to 0.95% per annum.</p> <p># 100 basis points = 1 percent</p> <p><u>Calculation of the Variable Annual Management Fee from launch until 30 April 2021</u></p> <p>From the Sub-Fund's launch to 30 April 2021, the Sub-Fund does not have 1, 3 and 5 year track record, the TR conditions will apply as follows:</p> <p>a) 1 year track record not available ⇒ 10 basis points (0.10%) discount</p> <p>b) 3 year track record not available ⇒ 15 basis points (0.15%) discount</p> <p>c) 5 year track record not available ⇒ 20 basis points (0.20%) discount</p> <p>Therefore, the current management fee rate is 95 – 10 – 15 – 20 = 50 basis points (0.50%).</p> <p><u>Variable Annual Management Fee calculation methodology</u></p> <p>Fee discounts are applied to the default fee rate if the TR targets (as set out below) over the previous 1, 3 and 5 years ending 31 December of the preceding year are not met, or if the relevant track records are not available.</p> <p>The TR is calculated based on the net total returns (annualised) achieved by the Units, which includes dividends received and deducts ongoing charges of the Units, from 1 January to 31 December of the relevant time periods under consideration.</p> <p>The TR conditions<sup>^</sup> and the corresponding fee discounts are set out below:</p> <p>a) If the TR in the past 1 year is below 7% annualised or if the relevant track records are not available, a discount of 10 basis points will apply to the default fee rate;</p>

	<p>b) If the TR in the past 3 years is below 7% annualised or if the relevant track records are not available, a discount of 15 basis points will apply to the default fee rate; and</p> <p>c) If the TR in the past 5 years is below 7% annualised or if the relevant track records are not available, a discount of 20 basis points will apply to the default fee rate.</p> <p>^ The Manager may at its discretion, provide at least 12 months' prior notification to investors to amend the TR conditions, and such amendments will be applied in the calculation of the new Variable Annual Management Fee level applicable as from the 1 May following the expiry of the applicable notice period (which shall be at least 12 months). In any such change, the maximum management fee level will not exceed the default fee rate of 0.95% per annum of the Net Asset Value of the Units.</p> <p>The TR conditions and the corresponding fee discounts are not mutually exclusive (i.e. multiple discounts can apply if more than one TR conditions are not met).</p> <p>Each year in January to February, the Manager and the Trustee will review the Sub-Fund's TR conditions each year and determine the fee discounts applicable. The new Variable Annual Management Fee (with applicable fee discounts) will apply from 1 May to 30 April of the following calendar year.</p> <p>For details and illustrative examples of the Variable Annual Management Fee calculation, please refer to the section "Fees and expenses" in Appendix 2 of the Prospectus.</p>
<b>Trustee fee*</b>	Currently up to 0.095% per year of NAV (subject to a minimum of USD38,000 per annum)
<b>Administration fee</b>	Included in the Trustee fee
<b>Performance fee</b>	None

\*Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice (or such shorter period permitted by the SFC) to unitholders. Please refer to the section on "Fees and Charges" in the Prospectus.

**Other fees**

You may have to pay other fees when dealing in the Units of the Sub-Fund.

**Additional Information**

You can find the following information of the Sub-Fund on the website ([www.nikkoam.com.hk/e-games-active-etf](http://www.nikkoam.com.hk/e-games-active-etf)) (which has not been reviewed or approved by the SFC):

- The Sub-Fund's Prospectus and product key facts statement (as revised from time to time);
- The latest annual audited accounts and interim half yearly unaudited report (in English only);
- Any notices and public announcements made by the Manager in respect of the Sub-Fund;
- Last NAV in USD and last NAV per Unit of the Sub-Fund in USD and HKD;
- The real-time or near real-time indicative NAV per Unit of the Sub-Fund throughout each Dealing Day in USD and HKD;
- Latest list of Participating Dealers and Market Makers;
- Full portfolio information on a monthly basis (updated within one month of the end of each month); and
- The composition of distributions (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital), if any, for a 12-month rolling period.

The near real time indicative NAV per Unit is indicative and for reference only. The near real time indicative NAV per Unit in HKD is updated every 15 seconds during SEHK trading hours using the near real time indicative NAV per Unit in USD multiplied by a near real time USD:HKD foreign exchange rate quoted by Thomson Reuters. Since the indicative NAV per Unit in USD will not be updated when the underlying share market(s) are closed, the change in the indicative NAV per Unit in HKD (if any) during such period is solely due to the change in the near real time foreign exchange rate.

The last closing NAV per Unit in HKD is indicative and for reference only and is calculated using the official last closing NAV per Unit in USD multiplied by an assumed foreign exchange rate (i.e. not a real time exchange rate) being the fixing exchange rate provided by WM Co Reuters for HKD at 4:00 p.m. (London time, which is (i) equivalent to 11:00 p.m. (Hong Kong time) during British Summer Time; and (ii) otherwise equivalent to 12:00 a.m. (Hong Kong time)) as of the same Dealing Day.

**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.