

**Ping An MSCI China Quality Factor ETF**  
a sub-fund of the Ping An of China Trust  
(Stock Code: 3166)

April 2021

***This is a passive exchange traded fund.***  
***This statement provides you with key information about this product.***  
***This statement is a part of the offering documents and must be read in conjunction with the Prospectus.***  
***You should not invest in this product based on this statement alone.***

**Quick facts**

<b>Stock code:</b>	3166	<b>Trading lot size:</b>	100 units
<b>Fund Manager:</b>	Ping An of China Asset Management (Hong Kong) Company Limited	<b>Underlying index:</b>	MSCI China Quality Index
<b>Trustee:</b>	HSBC Institutional Trust Services (Asia) Limited	<b>Base currency:</b>	Hong Kong Dollars (HK\$)
<b>Ongoing charges over a year*:</b>	0.84%	<b>Trading currency:</b>	Hong Kong Dollars (HK\$)
<b>Tracking difference of the last calendar year<sup>†</sup></b>	-2.19%	<b>Exchange listing:</b>	SEHK – Main Board
<b>Financial year end of this fund:</b>	31 December	<b>Dividend policy:</b>	Semi-annually at the discretion of the Manager, usually in June and December. All Units will receive distributions in the base currency (HK\$) only.
<b>ETF website:</b>	<a href="http://asset.pingan.com.hk/eng/3166">http://asset.pingan.com.hk/eng/3166</a> (This website is not reviewed by the SFC.)		

**What is this product?**

Ping An MSCI China Quality Factor ETF (“**Quality Factor ETF**”) is a sub-fund of the Ping An of China Trust, which is an umbrella unit trust established under Hong Kong law. The Quality Factor ETF is a passively managed index tracking exchange traded fund under Chapter 8.6 of the SFC Code on Unit Trusts and Mutual Funds. It is listed on The Stock Exchange of Hong Kong Limited (“**the SEHK**”). The Units are traded on the SEHK like listed stocks.

**Objective and Investment Strategy**

**Objective**

The Quality Factor ETF’s investment objective is to provide investment results that, before fees and expenses, closely correspond to the performance of the MSCI China Quality Index (the “**Underlying Index**”).

**Investment Strategy**

In order to achieve the investment objective, the Quality Factor ETF intends to primarily adopt a full replication strategy to track the performance of the Underlying Index. The Quality Factor ETF will directly invest in substantially all of the Securities that are included in the Underlying Index. These include H-Shares, A-Shares, B-Shares, Red

\* The ongoing charges figure is based on actual expenses in audited financial statements, excluding transactional costs for the year ended 31 December 2019. This figure may vary from year to year.

† This is an actual tracking difference of the last calendar year ended 31 December 2019. Investors should refer to the ETF website for more up to date information on actual tracking difference.

## Ping An MSCI China Quality Factor ETF (Stock Code: 3166)

chips, P chips and foreign listings (e.g. ADRs). Investment in A-Shares will be via the “**Stock Connect**”, a securities trading and clearing linked programme with an aim to achieve mutual stock market access between mainland China and Hong Kong comprising the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Where it is not possible to acquire certain securities which are constituents of the Underlying Index due to restrictions or limited availability, the Quality Factor ETF may also pursue a representative sampling strategy by investing in a portfolio featuring high correlation with the Underlying Index, pursuant to which the Quality Factor ETF may or may not hold all the constituents of the Underlying Index and may overweight certain constituents of the Underlying Index relative to the relevant securities’ weighting in the Underlying Index. The Quality Factor ETF may invest in securities not included as constituents of the Underlying Index as the Manager considers appropriate, provided that the sample closely reflects the overall characteristics of the Underlying Index which the Manager believes will help the Quality Factor ETF achieve its investment objective.

There is no current intention for the Quality Factor ETF to (i) invest in any financial derivatives (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, (ii) invest in structured products or instruments, structured deposits, asset backed securities, asset backed commercial papers and mortgage backed securities, or (iii) enter into securities lending, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter (“**OTC**”) transactions, but this may change in light of market circumstances and where the Quality Factor ETF does engage in these types of transactions, prior approval shall be obtained from the SFC (if required) and no less than one month’s prior notice will be given to the Unitholders.

The Manager may switch between the replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion, and as often as it believes is appropriate in order to achieve the investment objective of the Quality Factor ETF by tracking the Underlying Index as closely as possible to the benefit of investors.

### **The Underlying Index (Bloomberg Ticker: NH704072)**

The Underlying Index, launched on 11 May 2017, is an index designed to represent the performance of a quality growth strategy, out of securities from the parent index, namely, the MSCI China Index (the “**Parent Index**”), which comprises large and mid cap stocks of the Chinese equity market, including H-shares, Red chips and P chips listed on the SEHK, A-Shares and B-Shares listed on the SSE and SZSE and foreign listed companies (such as companies listed on NASDAQ, New York Stock Exchange and Singapore Stock Exchange). The Underlying Index is a net total return index. A net total return index calculates the performance of the index constituents on the basis that regular cash dividends are reinvested on the ex-date and after deduction of withholding tax by applying the maximum rate of the company’s country of incorporation applicable to institutional investors. The Underlying Index is calculated and denominated in HK\$.

The Underlying Index is compiled and managed by MSCI Inc. (the “**Index Provider**”). The Underlying Index aims to reflect the performance of the quality factor while ensuring reasonably high trading liquidity and investment capacity of constituent companies, as well as moderate index turnover. Quality is an objective measure of certain historical variables and is not an endorsement or recommendation by the Index Provider or the Manager as to the future performance of any constituents or the index. With an aim to more heavily weight the quality factor, the Underlying Index is constructed by selecting a set number of securities from the Parent Index with the highest quality scores, determined based on return on equity, debt to equity and earnings variability and calculated according to the methodology of the Underlying Index. The market capitalisation of securities is then weighted based on the quality score. The Manager and its Connected Persons are independent of the Index Provider.

The Underlying Index had a base level of 1,000 on 30 November 1998. As at 31 March 2021, the Underlying Index had a total free-float market capitalisation of HKD6,115.15 billion and 122 constituents.

For details of the constituent list of the Underlying Index, their respective weightings and other information regarding the Underlying Index, please refer to the website of the Index Provider at [www.msci.com](http://www.msci.com) (this website has not been reviewed by the SFC).

### **Use of derivatives / Investment in derivatives**

The Quality Factor ETF will not use derivatives for any purposes.

## **What are the key risks?**

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

### **Investment risk**

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

### **Factor Weighted Index Risk**

- The Underlying Index is a factor weighted index whereby constituents are selected and weighted based on quality factor based on the methodology of the Underlying Index. While the Underlying Index seeks to enhance return by focusing on such factor which may have historically outperformed the overall market, there can be no assurance that the Underlying Index will outperform the market at any time. It is possible that the Underlying Index may underperform capitalisation weighted indices or other benchmarks in some market environments, potentially for extended periods.
- The Underlying Index methodology of focusing on a certain factor may lead to unintended portfolio concentration in, for example, specific industry sectors. The Quality Factor ETF by tracking the Underlying Index may also have relatively large holdings in companies with relatively smaller market capitalisation than it would have held if tracking a capitalisation weighted index.

### **Concentration risks**

- The Underlying Index is subject to concentration risk as a result of tracking the performance of Securities related to the economic development of a single region (i.e. China). The NAV of the Quality Factor ETF is therefore likely to be more volatile than a more broad-based fund, such as a global or regional fund, as the Underlying Index is more susceptible to fluctuations in value resulting from adverse conditions in that single region.

### **Risks specific to Chinese market**

- The Chinese stock market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), which may disrupt the creation and redemption of the Units.
- High market volatility and potential settlement difficulties in the A-Share market may also result in significant fluctuations in the prices of the securities traded on the A-Share market and thereby may adversely affect the value of the Quality Factor ETF.
- The Quality Factor ETF may be subject to emerging market risks such as risks associated with uncertainty concerning Chinese laws and regulations and government policies. Generally, investment in emerging markets such as China are subject to a greater risk of loss than investing in a developed market due to greater political, economic and taxation uncertainty and risks linked to volatility, market liquidity, foreign exchange, legal and regulatory risks.

### **Risks associated with the Stock Connect**

- The relevant rules and regulations of the Stock Connect are subject to change which may have potential retrospective effect. The Stock Connect is subject to quota limitations. Where a suspension in the trading through the programme is effected, the Quality Factor ETF's ability to invest in A-Shares or access Chinese market through the programme will be adversely affected. In such event, the Quality Factor ETF's ability to achieve its investment objective could be negatively affected.

### **Equity market risk**

- The Quality Factor ETF'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.

### **Risks associated with depositary receipts**

- Exposure to depositary receipts including American Depositary Receipts (ADRs) may generate additional risks compared to a direct exposure to the corresponding underlying stocks, in particular, the risk of non-segregation under applicable law of the depositary bank who hold the underlying stock as collateral and its own assets. Bankruptcy events in respect of the depositary banks issuing the depositary receipts may negatively affect the performance and/or the liquidity of the Quality Factor ETF.
- There are fees related to depositary receipts, which may impact the performance of the depositary receipts.

Also, holders of depositary receipts are not direct shareholders of the underlying company and generally do not have voting and other shareholder rights as shareholders do. The Quality Factor ETF may also be subject to liquidity risk as depositary receipts are often less liquid than the corresponding underlying stocks.

### **Currency risk**

- Underlying investments of the Quality Factor ETF may be denominated in currencies other than the base currency of the Quality Factor ETF. The NAV of the Quality Factor ETF may be affected unfavorably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.

### **Distribution risk**

- Dividend distributions are not guaranteed and are subject to the discretion of the Manager. Therefore, investors may not receive any dividends from the Quality Factor ETF, notwithstanding that the Quality Factor ETF may receive dividend income from the securities it holds.

### **Passive investment risk**

- The Quality Factor ETF is passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Quality Factor ETF. Falls in the Underlying Index are expected to result in corresponding falls in the value of the Quality Factor ETF.

### **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.
- 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.

### **Tracking error risk**

- The Quality Factor ETF may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. This tracking error may result from the investment strategy used, and fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index

### **Trading differences risks**

- As the stock exchanges in which the Quality Factor ETF invests may be open when units in the Quality Factor ETF are not priced, the value of the securities in the Quality Factor ETF's portfolio may change on days when investors will not be able to purchase or sell the Quality Factor ETF's units. Differences in trading hours between the stock exchanges in which the Quality Factor ETF invests and the SEHK may also increase the level of premium or discount of the unit price to its NAV.

### **Termination risk**

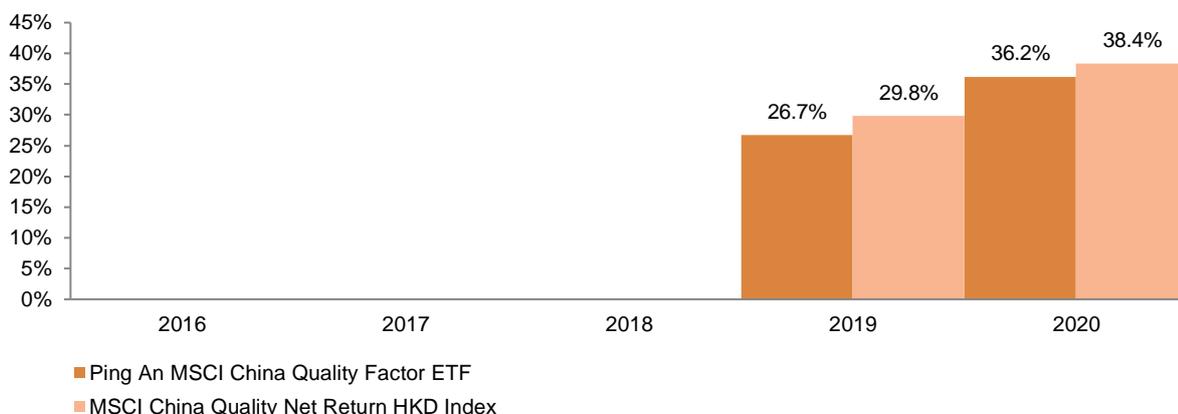
- The Quality Factor ETF may be terminated early under certain circumstances, for example, where the Underlying Index is no longer available for benchmarking or if the size of the Quality Factor ETF falls below HK\$200,000,000. Investors may not be able to recover their investments and suffer a loss when the Quality Factor ETF is terminated.

### **Reliance on market maker risks**

- Although the Manager will use its best endeavours to put in place arrangements so that at least one market maker will maintain a market for the units and that at least one market maker 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 fund performed?

### Fund Performance vs Underlying Index Performance



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- These figures show by how much the Quality Factor ETF increased or decreased in value during the calendar year being shown. Performance data has been calculated in HKD including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- The underlying index of the Quality Factor ETF is MSCI China Quality Index.
- Quality Factor ETF launch date: 27 November 2018.

## Is there any guarantee?

The Quality Factor ETF does not provide any guarantees. You may not get back the amount of money you invest.

## What are the fees and charges?

Please refer to Schedule 1 of the Prospectus for details of other fees and expenses applicable to the creation or redemption, or dealing in the Units of the Quality Factor ETF.

### Charges incurred when trading the Quality Factor ETF on SEHK

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

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.

## Ongoing fees payable by the fund

The following expenses will be paid out of the Quality Factor ETF. 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*	Currently 0.55% per annum, up to a maximum of 2% per annum.

## Ping An MSCI China Quality Factor ETF (Stock Code: 3166)

<b>Trustee fee*</b>	Currently 0.09% per annum for the first HK\$800 million; 0.08% per annum for the next HK\$800 million and 0.07% per annum for the remaining balance of the fund's NAV, subject to a monthly minimum of HK\$37,000 and up to a maximum of 1% per annum.
<b>Administration fee</b>	None
<b>Performance fee</b>	None
<b>Other ongoing costs</b>	Please refer to Schedule 1 of the Prospectus for details of the ongoing costs payable by the Quality Factor ETF.

\* Please note that some fees may be increased up to a permitted maximum amount by providing 3 months' prior notice (or such shorter period approved by the SFC) to Unitholders. Please refer to the section on "Fees and Charges" in the Prospectus.

### Additional Information

You can find the following information of the Quality Factor ETF on the Manager's website (<http://asset.pingan.com.hk/eng/3166>):

- The last published prospectus and its product key facts statement;
- Latest annual and semi-annual financial reports of the Quality Factor ETF in English;
- Any public announcements and notices made by the Quality Factor ETF, including information in relation to the Quality Factor ETF and the Underlying Index, notices of the suspension of calculation of NAV, changes in fees and charges, the suspension and resumption of trading of Units;
- Any notices relating to material changes to the Quality Factor ETF which may have an impact on its investors such as material alterations or additions to the offering documents or the constitutive documents of the Quality Factor ETF;
- Latest list of Participating Dealers and Market Makers;
- Full portfolio information of the Quality Factor ETF (updated on a daily basis);
- The last NAV and NAV per Unit of the Quality Factor ETF in HK\$;
- Near real-time indicative NAV per Unit of the Quality Factor ETF updated every 15 seconds throughout each Dealing Day in HK\$;
- The ongoing charges figure and the past performance information of the Quality Factor ETF; and
- The annual tracking difference and tracking error of the Quality Factor ETF.

Note: Investors should note that the aforesaid website has not been reviewed by the SFC.

### 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.