

TRACKER FUND OF HONG KONG
(TraHK)
Stock Code: 2800

Hang Seng Investment Management Limited Selected as TraHK's New Manager

- Hang Seng Investment Management Limited (HSVM), a wholly-owned subsidiary of Hang Seng Bank Limited, has been selected by the Supervisory Committee as the new manager of TraHK. The new manager's appointment is subject to regulatory approvals.
- The change in manager comes after completion of a professional manager review and has regard to HSVM's relevant experience, expertise and sizable presence in Hong Kong as well as to latest market developments and TraHK's future development.
- The appointment of the new manager will provide good value for investors who hold units in TraHK directly or indirectly through their mandatory provident funds. A new management fee schedule will be applied which aims to lower the effective management fee of TraHK by approximately 31% to 0.022% per annum in the first three years, followed by a further reduction to 0.019% per annum from the fourth year onwards, which represents approximately a 40% reduction when compared with TraHK's current management fee schedule¹.
- TraHK's Trustee (State Street Bank and Trust Company) has also offered to lower the effective trustee fee of TraHK to the same level as that of TraHK's new effective management fee.

The Supervisory Committee engaged an independent professional consultant with expertise in manager selection to conduct a manager review to help the Supervisory Committee to stay abreast of market developments and ensure the ongoing competitiveness of TraHK. The Trustee also provided its support throughout the process. After studying numerous exchange-traded fund (ETF) managers, seven leading ETF managers headquartered in different jurisdictions (including the incumbent manager, State Street Global Advisors Asia Limited) were invited to submit their credentials and proposals.

¹ Based on assets under management (AUM) of around HK\$105 billion, which was approximately the daily average AUM of TraHK from the beginning of 2022 to 28 February 2022. The effective management fee and the resultant percentage reduction will vary according to the actual level of AUM.

Following completion of the manager review, the Supervisory Committee identified HSVM to be the most suitable firm to manage TraHK in the interests of TraHK's unitholders, having regard to its relevant experience, expertise and sizable presence in Hong Kong as well as to latest market developments and TraHK's future development. The Trustee supports the Supervisory Committee's decision.

The appointment of the new manager will provide good value for investors who hold units in TraHK directly or indirectly through their mandatory provident funds. There will be a new management fee schedule, where the current tiered management fee of TraHK of 0.025% to 0.05% per annum will be adjusted to 0.015% to 0.045% per annum. This will lower the effective management fee of TraHK to 0.022% per annum in the first three years, which represents approximately a 31% reduction when compared with TraHK's current management fee schedule¹. The new manager will further reduce the effective management fee to 0.019% per annum from the fourth year onwards, which represents approximately a 40% reduction when compared with TraHK's current management fee schedule¹.

The Trustee has also offered to reduce the effective trustee fee of TraHK to the same level as that of the new effective management fee of TraHK and the reduction will take effect on the effective date of the new management fee.

The new manager's appointment is subject to regulatory approvals. The new manager has plans in place to address all relevant matters under TraHK's trust deed, including compliance with its competition provision, before the effective date of appointment. It is expected that the transition to the new manager will be completed in the third quarter of 2022. During the transition, the management and operation of TraHK, and the mandatory provident funds investing in TraHK, will not be impacted and will continue as usual. The new manager, the incumbent manager and the Trustee will work closely together to ensure a smooth transition. A further announcement regarding the transition arrangements will be made once the details have been finalised.

The Supervisory Committee would like to thank the incumbent manager, State Street Global Advisors Asia Limited, for its invaluable contribution in helping to establish and in managing TraHK for the past 22 years.

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Going forward, the Supervisory Committee will conduct manager reviews periodically to keep up-to-date with future market developments.

TraHK Supervisory Committee

29 March 2022

About TraHK

- Established in 1999, TraHK is an exchange-traded fund (ETF) designed to provide investment results that closely correspond to the performance of the Hang Seng Index.
- TraHK was the first ETF in Hong Kong to exceed HK\$100 billion in value and is currently one of the largest equity ETFs in Asia ex-Japan, amounting to approximately HK\$111.5 billion in value as of 28 March 2022.
- Over the last few years, TraHK has also made significant inroads into the mandatory provident fund (MPF) market. MPF assets invested in TraHK account for approximately 17.5% of TraHK's assets as of 31 December 2021.

About Hang Seng Investment Management Limited

- Established in 1993, Hang Seng Investment Management Limited (HSVM) is a wholly-owned subsidiary of Hang Seng Bank Limited. As a Hong Kong-based asset management company specialising in managing funds related to mainland China and Hong Kong markets, HSVM is committed to providing investors with comprehensive investment management services through investment managers with extensive experience in managing funds (including a series of ETFs and retail funds) and investment portfolios for institutional and private clients.
- HSVM is a leading home-grown asset manager in Hong Kong, with over 28 years of market leading asset management experience.
- As of March 2022, HSVM manages a total of 48 ETFs and retail funds, out of which 17 are index or index-related funds and nine are ETFs.

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