

**Important**

*This document is important and requires your immediate attention. If you are in any doubt about the content of this document, you should seek independent professional advice.*

Capitalised terms used but not otherwise defined in this Notice have the meanings given to them in the prospectus of the Nikko AM Hong Kong Investment Funds (“**Fund**”) dated January 2017, as amended by the First Addendum dated 24 March 2017, the Second Addendum dated 23 April 2018, the Third Addendum dated 16 November 2018 and the Fourth Addendum dated 25 March 2019, as amended and supplemented from time to time (“**Prospectus**”).

Nikko Asset Management Hong Kong Limited (the “**Manager**”) accepts full responsibility for the accuracy of the information contained in this Notice and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement in this Notice misleading as at the date of issuance.

17 December 2019

**NOTICE TO UNITHOLDERS**

**Nikko AM Hong Kong Investment Funds - Nikko AM Asian Small Mid Equity Fund (the “Sub-Fund”)**

**Amendments to Reflect (1) Requirements under the Revised Code on Unit Trusts and Mutual Funds and Other Amendments and (2) Publication of Prices, Dealing Suspension Notice, and Reports and Accounts.**

Dear Unitholders,

We are writing to inform you of certain changes to the Fund and the Sub-Fund.

**A. Background**

The Fund and the Sub-Fund are subject to the Code on Unit Trusts and Mutual Funds (“**Code**”) issued by the Securities and Futures Commission in Hong Kong (“**SFC**”). The Code has been revised. The Trust Deed will be amended by way of a supplemental deed (“**Supplemental Deed**”) and the Prospectus will be amended by way of a revised prospectus (“**Revised Prospectus**”) to reflect the requirements under the revised Code.

**B. Changes pursuant to the revised Code**

The following key changes (“**Changes**”) will be made to the Trust Deed and/or the Prospectus (where applicable) to reflect the requirements under the revised Code:

1. Trustee and Manager - additional obligations of HSBC Institutional Trust Services (Asia) Limited (the “**Trustee**”) and the Manager under Chapters 4 and 5 respectively of the revised Code.
2. Investment Restrictions: Core Requirements - amendments to the core requirements of the investment limitations and prohibitions under Chapter 7 of the revised Code, including but not limited to amendments in relation to the following: spread of investments, commodities, restrictions on making loans, limitations on borrowing, financial derivative instruments, securities financing transactions and collateral etc.

A summary of the key revised investment restrictions/requirements pursuant to the revised Code are set out in Annexure A enclosed with this Notice.

Information on the net derivative exposure of the Sub-Fund calculated in accordance with the requirements and guidance issued by the SFC is set out in Annexure B enclosed with this Notice.

3. Other Amendments – other amendments and enhancement of disclosures to reflect the requirements of the revised Code including the following:
  - (a) enhanced disclosures relating to the obligations of the Manager where a third party is engaged in the valuation of the assets of a Sub-Fund;
  - (b) amendments to reflect the suspension of the determination of the Net Asset Value may be provided by the Manager, after consultation with the Trustee, having regard to the best interests of Unitholders;

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- (c) amendments to reflect the requirements under the revised Code on transactions with connected persons and soft dollars arrangements; and
- (d) enhanced disclosures on arrangements in handling unclaimed proceeds of Unitholders where a Sub-Fund is terminated.

Please refer to the Supplemental Deed and the Revised Prospectus for further details.

**C. Publication of Prices, Dealing Suspension Notice, and Reports and Accounts**

The Manager has established a website at <https://www.nikkoam.com.hk/funds> to disseminate information relating to the Fund and/or Sub-Fund. Please note that the aforesaid website has not been reviewed or authorized by the SFC.

Accordingly, with effect from 31 December 2019:

- the Issue Price and Redemption Price for each Class of the Sub-Fund will only be published at the aforesaid Manager's website;
- whenever the Manager declares a suspension, the Manager shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish such notice at the aforesaid Manager's website or in one Hong Kong daily English and Chinese language newspaper; and
- as an alternative to the distribution of printed audited accounts and unaudited semi-annual reports, the annual report and audited accounts (in English only) will be made available on the aforesaid Manager's website within four months after the Accounting Date, and the unaudited semi-annual accounts (in English only) will be made available on the aforesaid Manager's website within two months after the Semi-Annual Accounting Date in each year.

Please refer to the Revised Prospectus for further details.

**D. Implication of Changes**

Save as disclosed in this Notice, the Changes will not result in any material change to the investment objective and risk profile of the Sub-Fund. There will be no increase in the fees payable out of the assets of the Sub-Fund as a result of the Changes. The Changes will also not result in a change in the manner in which the Fund and the Sub-Fund currently operate or are being managed save as disclosed in this Notice.

**E. Availability of Documents**

Starting from 31 December 2019:

- copies of the Trust Deed together with all supplemental deeds (including the Supplemental Deed) can be inspected free of charge at the Manager's office during normal business hours (except on Saturdays, Sundays and public holidays); and
- the Revised Prospectus and updated Product Key Facts Statement will be available on the Manager's website of <https://www.nikkoam.com.hk/funds>. This website has not been reviewed or authorized by the SFC.

**F. Enquiries**

If you have any questions relating to the above, please contact us at +852 3940 3900 during normal business hours.

We would like to take this opportunity to thank you for your valuable support and we look forward to be of continued service to you.

Yours faithfully,

For and on behalf of  
**Nikko Asset Management Hong Kong Limited**



Yasuaki Ogiwara  
Director

## ANNEXURE A

### SUMMARY OF KEY REVISED INVESTMENT RESTRICTIONS

The key amendments to the investment restrictions are as follows:

- (a) the aggregate value of a Sub-Fund's investments in, or exposure to, any single entity (other than Government and other public securities) through the following may not exceed 10% of its latest available Net Asset Value:
  - (i) investments in securities issued by that entity;
  - (ii) exposure to that entity through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to that entity arising from transactions of over-the-counter financial derivative instruments<sup>1</sup>.
- (b) subject to the requirements under the revised Code, the aggregate value of a Sub-Fund's investments in, or exposure to, entities within the same group (i.e. generally, entities which are included in the same group for the purposes of consolidated financial statements prepared in accordance with internationally recognized accounting standards) through the following may not exceed 20% of its latest available Net Asset Value:
  - (i) investments in securities issued by those entities;
  - (ii) exposure to those entities through underlying assets of financial derivative instruments; and
  - (iii) net counterparty exposure to those entities arising from transactions of over-the-counter financial derivative instruments.
- (c) the value of a Sub-Fund's cash deposits made with the same entity or entities within the same group may not exceed 20% of its latest available Net Asset Value provided that the 20% limit may be exceeded in certain circumstances specified in the revised Code.
- (d) a Sub-Fund may not invest in physical commodities unless otherwise approved by the SFC and disclosed in the investment policies of the Sub-Fund.
- (e) subject to the requirements under the revised Code, a Sub-Fund may not lend, assume, guarantee, endorse or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person. For the avoidance of doubt, reverse repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph.
- (f) Under the revised Code, the maximum borrowing of a Sub-Fund has been reduced to 10% of its latest available Net Asset Value. Securities lending transactions and sale and repurchase transactions in compliance with the requirements under the revised Code are not subject to the limitations in this paragraph. For the avoidance of doubt, the maximum borrowing of the Sub-Fund has been and remains as 10% of its latest available Net Asset Value.
- (g) a Sub-Fund may acquire financial derivative instruments for hedging purposes.
- (h) a Sub-Fund may also acquire financial derivative instruments for non-hedging purposes in accordance with its investment objective and policy subject to the limit that such Sub-Fund's net exposure relating to these financial derivative instruments ("**net derivative exposure**") does not exceed 50% of its latest available Net Asset Value.

Net derivative exposure shall be calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. For the avoidance of doubt, financial derivative instruments acquired for hedging purposes will not be counted towards the 50% limit so long as there is no residual derivative exposure arising from such hedging arrangement.

<sup>1</sup> The Sub-Fund currently does not intend to invest in over-the-counter financial derivative instruments.

## ANNEXURE B

### INFORMATION ON NET DERIVATIVE EXPOSURE

The net derivative exposure is calculated in accordance with the Code and the requirements and guidance issued by the SFC which may be updated from time to time. In calculating the net derivative exposure, derivatives acquired for investment purposes that would generate incremental leverage at the portfolio level of a Sub-Fund are converted into their equivalent positions in their underlying assets.

The following Sub-Fund may acquire financial derivative instruments for hedging purposes only subject to the limit set out below:

| <b>Sub-Fund</b>                      | <b>Net derivative exposure<br/>(% of Net Asset Value)</b> |
|--------------------------------------|-----------------------------------------------------------|
| Nikko AM Asian Small Mid Equity Fund | up to 50%                                                 |