



# **ABF Hong Kong Bond Index Fund**

## **Annual Report 2013**

# Contents

	Page
Investment adviser’s report	1
Trustee’s report	2
Independent auditor’s report	3
Statement of assets and liabilities	4
Statement of comprehensive income	5
Statement of changes in equity	6
Cash flow statement	7
Distribution statement	8
Notes to the financial statements	9
Portfolio statement (Unaudited)	20
Statement of movements in portfolio holdings (Unaudited)	22
Performance record (Unaudited)	23
Administration	24

# Investment Adviser's Report

## **Market review**

The Fund's investment holdings continue to be composed of high-quality issuers, including bonds issued by the Hong Kong SAR Government, quasi-government entities in Hong Kong as well as multilateral international agency entities. This reflects the characteristics of the Fund of being a conservative investment which aims to achieve investment return and distribute potential income on a semi-annual basis. For the year ended 31 July 2013, the Fund delivered a negative return as the Hong Kong bond yields followed the US treasury yields higher on increased possibility of the US Federal Reserve's QE tapering. In the rest of 2013, we expect further upward movements in Hong Kong bond yields as they move in tandem with the US treasury yield curve amid an improving US growth outlook.

**HSBC Global Asset Management (Hong Kong) Limited**

26 November 2013

# Trustee’s Report

## ABF Hong Kong Bond Index Fund (“the Trust”)

We hereby confirm that, in our opinion, the Manager of the Trust has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed dated 10 June 2005 for the year ended 31 July 2013.

	)	
Bertha TAM	)	For and on behalf of
Vincent YIM	)	HSBC Institutional Trust Services
	)	(Asia) Limited
	)	

# Independent Auditor's Report to the Unitholders of ABF Hong Kong Bond Index Fund ("the Trust")

## **Report on the financial statements**

We have audited the financial statements of ABF Hong Kong Bond Index Fund ("the Trust") set out on pages 4 to 19, which comprise the statement of assets and liabilities as at 31 July 2013, the statement of comprehensive income, statement of changes in equity, distribution statement and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## **Manager's and Trustee's responsibilities for the financial statements**

The Manager and the Trustee are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and for such internal control as the Manager and the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In addition, the Manager and the Trustee also have responsibilities to ensure that the financial statements comply with the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix E to the Hong Kong Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission ("the Code").

## **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as at 31 July 2013 and of its transactions and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

## **Report on disclosure requirements under the Code**

We report that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements set out in the Code.

KPMG  
Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong  
26 November 2013

# Statement of Assets and Liabilities

as at 31 July 2013

	Note	2013 HKD	2012 HKD
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	5	2,949,945,867	3,424,300,271
Interest receivable		12,568,448	13,801,287
Amounts due from brokers	6	25,501,384	8,349,286
Amounts receivables on subscriptions		—	26,088,125
Cash and cash equivalents	7(b)	4,403,054	3,673,021
		<hr/> 2,992,418,753	<hr/> 3,476,211,990
<b>LIABILITIES</b>			
Distributions payable	10	29,347,081	37,273,441
Other payables	7(a), 7(c)	885,004	940,506
		<hr/> 30,232,085	<hr/> 38,213,947
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (BID PRICES)</b>		<hr/> 2,962,186,668	<hr/> 3,437,998,043
Representing:			
<b>Total equity</b>		<hr/> 2,962,186,668	<hr/> 3,437,998,043
<b>Total number of units in issue</b>	9	<hr/> 29,946,001	<hr/> 32,946,001
<b>Net asset value per unit at bid prices</b>		<hr/> 98.92	<hr/> 104.35

Approved by the Trustee and the Manager on 26 November 2013

	)	
Bertha TAM	)	For and on behalf of
Vincent YIM	)	HSBC Institutional Trust Services
	)	(Asia) Limited
	)	
	)	
Joanna Mary MUNRO	)	For and on behalf of
Edgar Kai Man NG	)	HSBC Investment Funds
	)	(Hong Kong) Limited
	)	

The notes on pages 9 to 19 form part of these financial statements.

# Statement of Comprehensive Income

for the year ended 31 July 2013

	Note	2013 HKD	2012 HKD
Sundry income		202,167	341,564
Net foreign exchange loss		(67)	(60)
Net (losses)/gains from financial instruments at fair value through profit or loss	3	(96,284,271)	139,018,417
<b>TOTAL (LOSSES)/REVENUE</b>		<b>(96,082,171)</b>	<b>139,359,921</b>
Management fees	7(a)	4,429,819	3,875,074
Trustee's fees	7(c)	1,650,758	1,418,011
Auditor's remuneration		221,649	264,170
Transaction costs	7(c)	28,397	25,285
Miscellaneous expenses		701,249	652,235
<b>TOTAL OPERATING EXPENSES</b>		<b>7,031,872</b>	<b>6,234,775</b>
<b>(DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(103,114,043)</b>	<b>133,125,146</b>

The notes on pages 9 to 19 form part of these financial statements.

# Statement of Changes in Equity

for the year ended 31 July 2013

	Note	2013 HKD	2012 HKD
<b>Balance at the beginning of the year</b>		3,437,998,043	2,592,419,404
<b>(Decrease)/increase in net assets attributable to unitholders and total comprehensive income for the year</b>		(103,114,043)	133,125,146
<b>Transactions with owners, recorded directly in equity</b>			
Subscriptions of units (excluding equalisation)		207,538,450	800,713,475
Redemptions of units (excluding equalisation)		(515,116,400)	(25,765,875)
Income equalisation on subscriptions and redemptions	11	(1,441,500)	4,762,575
Distributions to unitholders during the year	10	(63,677,882)	(67,256,682)
<b>Total transactions with owners</b>		(372,697,332)	712,453,493
<b>Balance at the end of the year</b>		2,962,186,668	3,437,998,043

The notes on pages 9 to 19 form part of these financial statements.



# Cash Flow Statement

for the year ended 31 July 2013

	2013 HKD	2012 HKD
<b>OPERATING ACTIVITIES</b>		
Sundry income received	202,167	341,564
Management fees paid	(4,464,772)	(3,760,017)
Trustee's fees paid	(1,665,856)	(1,371,673)
Transaction costs paid	(28,397)	(25,285)
Payments on purchase of investments	(1,162,901,399)	(1,926,630,608)
Proceeds from sale of investments	1,525,052,273	1,243,424,082
Other operating expenses paid	(928,416)	(877,941)
<b>Cash generated from/(used in) operating activities</b>	<b>355,265,600</b>	<b>(688,899,878)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of units including equalisation	234,568,100	779,559,050
Payments on redemption of units including equalisation	(517,499,425)	(25,937,000)
Distributions paid	(71,604,242)	(64,335,342)
<b>Cash (used in)/generated from financing activities</b>	<b>(354,535,567)</b>	<b>689,286,708</b>
<b>Net increase in cash and cash equivalents</b>	<b>730,033</b>	<b>386,830</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>3,673,021</b>	<b>3,286,191</b>
<b>Cash and cash equivalents at the end of year</b>	<b>4,403,054</b>	<b>3,673,021</b>

The notes on pages 9 to 19 form part of these financial statements.

# Distribution Statement

for the year ended 31 July 2013

	Note	2013 HKD	2012 HKD
<b>Amount available for distribution brought forward</b>		1,641,679	2,299,640
Profit for the year available for distribution*		64,665,721	61,836,146
Income equalisation on subscriptions and redemptions	11	(1,441,500)	4,762,575
Distributions to unitholders	10	(63,677,882)	(67,256,682)
<b>Amount available for distribution carried forward</b>		1,188,018	1,641,679
<b>Distribution history</b>			
Interim distribution per unit	10	1.05	1.19
Date of distribution		30 January 2013	30 January 2012
Final distribution per unit	10	0.98	1.14
Date of distribution		30 July 2013	30 July 2012

\* Profit for the year available for distribution is the adjusted total comprehensive income for the year, for which the calculation basis is in accordance with the relevant clauses of the Trust Deed.

The notes on pages 9 to 19 form part of these financial statements.

# Notes to the Financial Statements

## 1 The Trust

ABF Hong Kong Bond Index Fund (“the Trust”) was established under a Trust Deed dated 10 June 2005 (“the Trust Deed”) and is governed by Hong Kong law. The Trust is an “index fund” which seeks investment results that correspond closely before fees and expenses to the total return of the Markit iBoxx ABF Hong Kong Index which is compiled by the Markit Indices Limited.

The Trust is authorised by the Hong Kong Securities and Futures Commission (“SFC”) under section 104 of the Hong Kong Securities and Futures Ordinance (“HKSF”). The Trust is also listed on The Stock Exchange of Hong Kong Limited (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

## 2 Significant accounting policies

### (a) Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, the relevant disclosure provisions of the Trust Deed and the relevant disclosure requirements of the Hong Kong Code on Unit Trusts and Mutual Funds issued by the SFC. A summary of the significant accounting policies adopted by the Trust is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Fund. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Trust for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The functional and presentation currency of the Trust is the Hong Kong dollars reflecting the fact that the participating redeemable units of the Trust are issued and redeemed in Hong Kong dollars.

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Trust and are consistent with those used in the previous year except as stated in note 2(c) below.

### (c) Changes in accounting policies

The Trust has early adopted HKFRS 13, *Fair value measurement* with effect from 1 August 2012. HKFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other HKFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other HKFRSs, including HKFRS 7, as set out in note 2(e)(iv). The Trust has included new disclosures in the financial statements which are required under HKFRS 13.

In accordance with the transitional provisions of HKFRS 13, the Trust has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures.

The Trust has not adopted any new standard or interpretations that is not yet effective for the current accounting period except as stated above.

# Notes to the Financial Statements

## **(d) Foreign currency translation**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Hong Kong dollars at the foreign exchange rates ruling at the date of statement of assets and liabilities. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Hong Kong dollars at the foreign currency exchange rates ruling at the dates that the values are determined.

Foreign currency exchange differences relating to investments at fair value through profit or loss are included in net gains/ (losses) on financial assets at fair value through profit or loss. All other foreign currency exchange differences relating to monetary items including cash and cash equivalents are presented separately in profit or loss.

## **(e) Financial instruments**

### **(i) Classification**

All of the Trust's investments are classified as financial assets at fair value through profit or loss. This category comprises financial instruments held for trading, which are instruments that the Trust has acquired principally for the purpose of short-term profit-taking. These include investments in debt securities.

Financial assets that are classified as receivables include interest receivable, amounts due from brokers and amounts receivables on subscriptions.

Financial liabilities at amortised cost include distributions payable and other payables.

### **(ii) Recognition**

The Trust recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial liabilities are not recognised unless one of the parties has performed their obligations under the contract or the contract is a derivative contract not exempted from the scope of HKAS 39.

### **(iii) Measurement**

Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair values recognised in profit or loss.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate method.

### **(iv) Fair value measurement principles**

*Policy applicable until 31 July 2012*

The fair value of financial instruments is based on their quoted market price at the date of the statement of assets and liabilities without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

# Notes to the Financial Statements

Where pricing models are used, inputs are based on market data at the date of the statement of assets and liabilities. Fair values for unquoted equity instruments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

## *Policy applicable from 1 August 2012*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Trust has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Trust measures the fair value of an instrument using the quoted price in an active market for that instrument provided such price is within the bid-ask spread. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. In circumstances where the quoted price is not within the bid-ask spread, the manager of the Trust will determine the points within the bid-ask spread that are most representative of the fair value.

When there is no quoted price in an active market, the Trust uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Trust determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Trust measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Trust on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Trust recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

## v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

## (vi) Impairment

Financial assets that are stated at cost or amortised cost are reviewed at each date of the statement of assets and liabilities to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through profit or loss.

# Notes to the Financial Statements

## (vii) Derecognition

The Trust derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with HKAS 39.

The Trust uses the weighted average method to determine realised gains and losses on derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

## (viii) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of assets and liabilities when the Trust has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis or simultaneously, e.g. through a market clearing mechanism.

## (ix) Specific instruments

### *Cash and cash equivalents*

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

## (f) Revenue recognition

Provided it is probable that the economic benefits will flow to the Trust and the revenue and costs if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

### *Interest income*

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Interest income on bank deposits is disclosed separately on the face of profit or loss. Interest income on debt securities is included in net gains/(losses) from financial instruments at fair value through profit or loss.

## (g) Expenses

All expenses are recognised in profit or loss on an accrual basis.

## (h) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the statement of comprehensive income line item *Net foreign exchange loss* are net of foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

## (i) Related parties

- (a) A person, or a close member of that person's family, is related to the Trust if that person:
  - (i) has control or joint control over the Trust;
  - (ii) has significant influence over the Trust; or
  - (iii) is a member of the key management personnel of the Trust.
- (b) An entity is related to the Trust if any of the following conditions applies:
  - (i) The entity and the Trust are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is controlled or jointly controlled by a person identified in (a); or
  - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# Notes to the Financial Statements

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(j) Subscriptions and redemptions**

The Trust recognises unitholders' subscriptions and allots units upon receipt of a valid subscription application and derecognises them upon receipt of a valid redemption application.

**(k) Units in issue**

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Trust has one class of redeemable units in issue. This is the most subordinate class of financial instruments in the Trust and ranks *pari passu* in all material respects and has identical terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the Trust's net assets at each redemption date and also in the event of the Trust's liquidation.

A puttable financial instrument that includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset is classified as equity instrument if it meets the following conditions:

- it entitles the holder to a *pro rata* share of the entity's net assets in the event of the Trust's liquidation;
- it is in the class of instruments that is subordinate to all other classes of instruments;
- all financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- apart from the contractual obligation for the Trust to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and

- the total expected cash flows attributable to the instrument over its life are based substantially on profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Trust over the life of the instrument.

The Trust's redeemable units meet all of these conditions and are classified as equity.

**(l) Distributions**

Distributions payable on redeemable units are recognised in the statement of changes in equity.

**(m) Segment reporting**

An operating segment is a component of the Trust that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Trust's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The chief operating decision maker of the Trust is identified as the Manager, HSBC Investment Funds (Hong Kong) Limited.

**3 Net (losses)/gains from financial instruments at fair value through profit or loss**

	2013 HKD	2012 HKD
Unrealised (losses)/gains	(160,287,405)	68,536,480
Realised gains	64,003,134	70,481,937
	(96,284,271)	139,018,417

**4 Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Trust is exempt from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

# Notes to the Financial Statements

## 5 Financial assets at fair value through profit or loss

	2013 HKD	2012 HKD	2013 HKD	2012 HKD
<b>Debt securities</b>				
Listed bonds	2,691,726,624	3,137,148,817		
Unlisted but quoted bonds	258,219,243	287,151,454		
	<u>2,949,945,867</u>	<u>3,424,300,271</u>		
Investments, at cost	2,978,696,935	3,293,996,773		
Net unrealised (depreciation)/ appreciation in value of investments	(28,751,068)	130,303,498		
Investments, at fair value	<u>2,949,945,867</u>	<u>3,424,300,271</u>		

## 6 Amounts due from brokers

	2013 HKD	2012 HKD
<b>Balances due from brokers</b>		
Amounts receivable on sale of investments	<u>25,501,384</u>	<u>8,349,286</u>

## 7 Related party transactions

The following is a summary of transactions with related parties for the year. All such transactions were entered into in the ordinary course of business and on normal commercial terms.

- (a) The Trust is managed by HSBC Investment Funds (Hong Kong) Limited ("the Manager"), which receives a management fee, payable monthly in arrears, equivalent to 0.15% per annum of the average daily net assets of the Trust (in respect of the first \$1,560 million) and 0.12% per annum (thereafter).

In addition, the Manager acts as the listing agent of the Trust. The fee is paid out of the management fees.

(i) Management fees for the year	4,429,819	3,875,074
(ii) Management fees payable at year end	<u>366,934</u>	<u>401,887</u>

- (b) A bank account is maintained with a member of the HSBC Group. The balance of this account amounted to \$4,403,054 (2012: \$3,673,021) at the year end. There is no interest income arising from these accounts during the year (2012: Nil).

- (c) The trustee of the Trust is HSBC Institutional Trust Services (Asia) Limited ("the Trustee"), a fellow subsidiary of the Manager within the HSBC Group, which receives trustee's fees, payable monthly in arrears, equivalent to 0.05% per annum of the average daily net assets of the Trust. In addition, the Trustee is entitled to transaction costs of \$389 (2012: \$389) per transaction (buy/sell) of the underlying index securities and non-index securities.

	2013 HKD	2012 HKD
(i) Trustee's fees for the year	1,650,758	1,418,011
(ii) Transaction costs for the year	28,397	25,285
(iii) Trustee's fees payable at year end	135,259	150,357
(iv) Transaction costs payable at year end	<u>2,723</u>	<u>—</u>

- (d) In its purchases and sales of investments, the Trust utilises the brokerage services of Midland Bank Plc and The Hongkong and Shanghai Banking Corporation Limited, which are members of the HSBC Group. Details of transactions effected are as follows:



# Notes to the Financial Statements

## Midland Bank Plc

	2013 HKD	2012 HKD
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Commission paid for the year	–	–
Average rate of commission	–	–
Total aggregate value of such transactions for the year	–	574,334,920

Percentage of such transactions in value to total transactions for the year	–	19.05%
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## The Hongkong and Shanghai Banking Corporation Limited

	2013 HKD	2012 HKD
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Commission paid for the year	–	–
Average rate of commission	–	–
Total aggregate value of such transactions for the year	1,451,939,185	–

Percentage of such transactions in value to total transactions for the year	54.99%	–
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The figures for commission paid do not include any trading margin which may be reflected in the market price of transactions with these entities on any transactions by the Trust during the year.

## 8 Soft commission arrangements

No soft commission arrangements were entered into with brokers during the year (2012: Nil).

## 9 Units issued and redeemed

	2013	2012
Number of units in issue brought forward	32,946,001	25,446,001
Units issued during the year	2,000,000	7,750,000
Units redeemed during the year	(5,000,000)	(250,000)

Number of units in issue carried forward	29,946,001	32,946,001
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The Trust is not subject to externally imposed capital requirements.

## 10 Distributions

### Distributions attributable to the year

	2013 HKD	2012 HKD
Interim dividend of \$1.05 per unit on 32,696,001 units declared and paid (2012: \$1.19 per unit on 25,196,001 units)	34,330,801	29,983,241
Final dividend of \$0.98 per unit on 29,946,001 units declared and unpaid (2012: \$1.14 per unit on 32,696,001 units)	29,347,081	37,273,441
	63,677,882	67,256,682

## 11 Income equalisation

This is the proportion of the unit price which relates to the contributed accrued net expense or the undistributed accrued net income of the Trust at the date of issue or redemption of units.

## 12 Financial instruments and associated risks

The Trust maintains an investment portfolio in a variety of listed and unlisted financial instruments as dictated by its investment management strategy. The Trust's investment portfolio comprises debt securities.

# Notes to the Financial Statements

The Trust is an index fund and is not actively managed. Therefore, the Trust will not adjust the composition of its portfolio except when seeking to closely correspond to the duration and total return of the underlying index. The Trust does not try to "beat" the market it tracks and does not seek temporary defensive positions when markets decline or when the market is judged to be overvalued. Accordingly, a fall in the underlying index will result in a corresponding fall in the net asset value of the Trust.

The Trust's investing activities expose them to various types of risks that are associated with the financial instruments and markets in which they invest. The Manager and the Trustee set out below the most important types of financial risks inherent in each type of financial instrument. The Manager and the Trustee would like to highlight that the following list of associated risks only sets out some of the risks but does not purport to constitute an exhaustive list of all the risks inherent in an investment in the Trust. Investors should note that additional information in respect of risks associated with financial instruments in the Trust can be found in the Trust's offering document.

The nature and extent of the financial instruments outstanding at the date of statement of assets and liabilities and the risk management policies employed by the Trust are discussed below.

## (a) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The impact on a 5% increase in value of the investments at 31 July 2013, with all other variables held constant, is shown below. An equal change in the opposite direction would have reduced the net asset value by an equal but opposite amount. The analysis is performed on the same basis for 2012:

	<b>Change in net assets if</b>	
	<b>Market exposures HKD</b>	<b>investment value increased by 5% HKD</b>
<b>As at 31 July 2013</b>		
Debt securities	2,949,945,867	147,497,293
<b>As at 31 July 2012</b>		
Debt securities	3,424,300,271	171,215,014

## (b) Interest rate risk

Interest rate risk arises from change in interest rates which may inversely affect the value of debt instruments and therefore result in potential gain or loss to the Trust. The Trust's interest rate risk is managed on an ongoing basis by the Manager.

In general, if interest rates rise, the income potential of the portfolio also rises but the value of the fixed rate securities declines. A fall in interest rates would generally have the opposite effect. Aligning the portfolio maturity profile to that of the benchmark and keeping deviations within certain limits is an important way of controlling relative interest rate risk.

The following table indicates the period in which the interest bearing assets mature at the date of the statement of assets and liabilities.

	<b>2013</b>			
<i>All amounts stated in '000</i>	<b>1 year or less HKD</b>	<b>Over 1 year to 5 years HKD</b>	<b>More than 5 years HKD</b>	<b>Total HKD</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	1,968,552	981,394	2,949,946
Cash and cash equivalents	4,403	-	-	4,403
<b>Total interest bearing assets</b>	<b>4,403</b>	<b>1,968,552</b>	<b>981,394</b>	

	<b>2012</b>			
<i>All amounts stated in '000</i>	<b>1 year or less HKD</b>	<b>Over 1 year to 5 years HKD</b>	<b>More than 5 years HKD</b>	<b>Total HKD</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	26,803	2,317,417	1,080,080	3,424,300
Cash and cash equivalents	3,673	-	-	3,673
<b>Total interest bearing assets</b>	<b>30,476</b>	<b>2,317,417</b>	<b>1,080,080</b>	

# Notes to the Financial Statements

## *Interest rate sensitivity*

At the date of statement of assets and liabilities, assuming all other factors unchanged, it is estimated that an increase in interest rates of 50 basis points would result in a decrease in the net assets attributable to unitholders and the profit for the year by \$57,594,786 (2012: \$70,700,888); an equal change in the opposite direction would result in an increase in the net assets attributable to unitholders by an equal amount. The analysis is performed on the same basis for 2012.

## **(c) Currency risk**

As all the Trust's financial instruments at 31 July 2013 and 2012 were denominated in Hong Kong dollars, no significant currency risk is associated with the Trust.

## **(d) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. The Trust's exposure to credit risk is monitored by the Manager on an ongoing basis.

At 31 July 2013, all of the Trust's financial assets were exposed to credit risk. These include investments and cash and cash equivalents placed with banks and the Custodian.

At the date of the statement of assets and liabilities, the Trust invested in debt securities with the following credit quality expressed as a percentage of debt securities:

### **As at 31 July 2013**

<b>Rating (Moody's/S&amp;P/Fitch)</b>	<b>% of debt securities</b>
Aaa/AAA/AAA	96.46
Aa1/AA+/AA+	3.54
Total	100.00

### **As at 31 July 2012**

<b>Rating (Moody's/S&amp;P/Fitch)</b>	<b>% of debt securities</b>
Aaa/AAA/AAA	85.58
Aa1/AA+/AA+	14.42
Total	100.00

Credit risk is managed by reviewing and monitoring the credit quality of debt securities or the issuers of the debt securities held by the Trust on an ongoing basis.

Credit risk arising from transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

The Trust is also subject to credit risk arising on debt securities which is according to the Trust's investment restrictions mitigated through diversification and control on exposure to any single issuer in the Trust.

All of the cash held by the Trust are deposited with the HSBC Group. Bankruptcy or insolvency of the bank may cause the Trust's rights with respect to the cash held by the bank to be delayed or limited. The Trust monitors the credit rating and financial position of the bank on an ongoing basis.

Substantially all of the assets of the Trust are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Trust's rights with respect to securities held by the Custodian to be delayed or limited. The Custodian is a group company of HSBC, for which credit risk is considered insignificant.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the date of the statement of assets and liabilities.

At 31 July 2013, 48.01% (2012: 55.70%) and 43.24% (2012: 35.55%) of debt securities were issued by the Hong Kong Monetary Authority and the Government of the Hong Kong Special Administrative Region respectively. There was no other significant concentration of credit risk at both 31 July 2013 and 2012.

## **(e) Liquidity risk**

Liquidity risk arises from the risk the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner.

The Trust's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

# Notes to the Financial Statements

The Trust's listed investments are considered to have insignificant exposure to liquidity risk as they are all readily realisable on the stock exchange they are listed. The Trust, however, also invests in unlisted investments such as unlisted bonds, which are not publicly traded on exchanges and may be illiquid. The total value of unlisted investments at the year end was \$258,219,243 (2012: \$287,151,454). At year end, there was a sufficient volume of trades evident for \$153,721,318 (2012: \$128,079,750) of these unlisted investments to satisfy the criteria of a Level 1 investment in the fair value hierarchy.

As at 31 July 2013 and 2012, the Trust's financial liabilities are due within three months.

## **(f) Capital management**

The Trust's capital as at the year end date is represented by its redeemable units.

The Trust's objective in managing the capital is to ensure a stable and strong base to provide investment results that correspond closely to the total return of the underlying index to all investors, and to manage liquidity risk arising from the redemptions. The Manager manages the capital of the Trust in accordance with the Trust's investment objectives and policies stated in the Trust's Prospectus.

There were no changes in the policies and procedures during the year with respect to the Trust's approach to its capital management.

The amount and the movement of equity are stated in the statement of changes in equity. As the redeemable units are redeemed on demand at the unitholders' option, the actual level of redemption may differ significantly from historic experience.

## **13 Fair value information**

The Trust's financial instruments are measured at fair value on the date of the statement of assets and liabilities. Fair value estimates are made at a specified point in time, based on market conditions and information about the financial instruments. Usually, fair values can be reliably determined within a reasonable range of estimates. For certain other financial instruments, including interest receivable, amounts due from brokers, amounts due to brokers, distribution payable and other payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

## **Valuation of financial instruments**

The Trust's accounting policy on fair value measurements is detailed in accounting policy in note 2(e)(iv).

The Trust measures fair values using the three levels of fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are as defined as follows:

- Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs.

For debt securities which are listed on recognised stock exchanges or those with daily dealer price quotations, the fair value is based on quoted market prices in active markets. For all other debt securities, the Trust determines fair value using valuation techniques.

The Trust uses widely recognised valuation models for determining the fair value of the debt securities which do not have quoted market prices in active markets. Valuation techniques include net present value, discounted cash flow models, comparison to similar instruments for which market observable prices exist, comparison to quoted prices for identical instruments that are considered less than active and other valuation models.

The following analyses financial instruments at fair value at the date of the statement of assets and liabilities, by the level in the fair value hierarchy into which the fair value measurement is categorised.

# Notes to the Financial Statements

## 31 July 2013

	Level 1 HKD	Level 2 HKD	Total HKD
Listed debt securities	2,691,726,624	–	2,691,726,624
Unlisted but quoted debt securities	153,721,318	104,497,925	258,219,243
Total	2,845,447,942	104,497,925	2,949,945,867

## 31 July 2012

	Level 1 HKD	Level 2 HKD	Total HKD
Listed debt securities	3,137,148,817	–	3,137,148,817
Unlisted but quoted debt securities	128,079,750	159,071,704	287,151,454
Total	3,265,228,567	159,071,704	3,424,300,271

During the year ended 31 July 2013, debt securities amounting to \$104,497,925 (2012: \$95,680,254) have been transferred from Level 1 to Level 2 because quoted market price for these instruments was no longer available in an active market and debt securities amounting to \$126,461,398 (2012: \$121,079,750) have been transferred from Level 2 to Level 1 because quoted market price in an active market for these instruments has become available.

## 14 Segment information

The Manager makes strategic resource allocation on behalf of the Trust and determines operating segments based on internal reports reviewed which are used to make strategic decisions.

The Manager's asset allocation decisions are based on one single, integrated investment strategy, and the Trust's performance is evaluated on an overall basis. Accordingly the Manager considers that the Trust has one single operating segment which is investing in a portfolio of financial instruments to generate investment returns in accordance with the investment objective stipulated in its Prospectus. There were no changes in the operating segment during the year.

All revenues and losses generated from investments by the Trust are disclosed in note 3. The segment information provided to the Manager is the same as that disclosed in profit or loss and the statement of assets and liabilities.

The Trust is domiciled in Hong Kong. All of the Trust's income from investments is from debt securities invested in Hong Kong.

## 15 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 July 2013

As disclosed in note 2(c), the Fund has early adopted HKFRS 13, *Fair value measurement*, with effect from 1 August 2012.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 July 2013, and which have not been adopted in these financial statements. These include the following which may be relevant to the Trust:

### Effective for accounting periods beginning on or after

HKFRS 9, *Financial instruments* 1 January 2015

The Trust is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Trust's results of operations and financial position.

# Portfolio Statement (Unaudited)

as at 31 July 2013

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Debt securities				HONG KONG MONETARY AUTHORITY			
				1.73% EXCHANGE FUND NOTES			
Listed investments				20 FEBRUARY 2024	46,000,000	43,519,243	1.47
				HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				1.91% EXCHANGE FUND NOTES			
0.17% EXCHANGE FUND NOTES				21 MARCH 2016	40,000,000	41,516,000	1.40
18 AUGUST 2014	97,000,000	96,941,800	3.27	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.16% EXCHANGE FUND NOTES			
0.53% EXCHANGE FUND NOTES				9 DECEMBER 2019	25,000,000	25,851,105	0.87
19 MARCH 2018	117,000,000	113,984,547	3.85	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.31% EXCHANGE FUND NOTES			
0.55% EXCHANGE FUND NOTES				21 JUNE 2021	53,500,000	55,001,568	1.86
20 MARCH 2017	52,000,000	51,599,600	1.74	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.39% EXCHANGE FUND NOTES			
0.79% EXCHANGE FUND NOTES				20 AUGUST 2025	44,300,000	44,386,363	1.50
19 SEPTEMBER 2016	55,000,000	55,330,000	1.87	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.53% EXCHANGE FUND NOTES			
0.80% EXCHANGE FUND NOTES				22 JUNE 2020	65,350,000	68,656,710	2.32
27 AUGUST 2027	15,000,000	12,015,759	0.41	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.71% EXCHANGE FUND NOTES			
0.97% EXCHANGE FUND NOTES				20 FEBRUARY 2023	62,000,000	64,662,900	2.18
20 JUNE 2022	24,000,000	21,804,000	0.74	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				2.95% EXCHANGE FUND NOTES			
1.51% EXCHANGE FUND NOTES				24 FEBRUARY 2025	48,700,000	51,663,395	1.74
24 FEBRUARY 2027	5,000,000	4,456,000	0.15	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				3.50% EXCHANGE FUND NOTES			
1.52% EXCHANGE FUND NOTES				22 JUNE 2015	12,200,000	12,929,560	0.44
21 DECEMBER 2015	9,000,000	9,235,800	0.31	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				3.51% EXCHANGE FUND NOTES			
1.57% EXCHANGE FUND NOTES				8 DECEMBER 2014	97,400,000	101,675,860	3.43
13 JUNE 2016	95,200,000	98,075,040	3.31	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				3.52% EXCHANGE FUND NOTES			
1.61% EXCHANGE FUND NOTES				5 DECEMBER 2017	22,500,000	24,898,500	0.84
10 DECEMBER 2018	59,300,000	60,177,640	2.03	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				3.78% EXCHANGE FUND NOTES			
1.65% EXCHANGE FUND NOTES				6 DECEMBER 2016	22,000,000	24,258,780	0.82
15 JUNE 2015	70,600,000	72,339,408	2.44	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				4.65% EXCHANGE FUND NOTES			
1.69% EXCHANGE FUND NOTES				29 AUGUST 2022	68,750,000	83,029,375	2.80
22 DECEMBER 2014	41,000,000	41,790,410	1.41	HONG KONG MONETARY AUTHORITY			
HONG KONG MONETARY AUTHORITY				4.83% EXCHANGE FUND NOTES			
1.69% EXCHANGE FUND NOTES				7 JUNE 2016	48,500,000	54,414,730	1.84
29 SEPTEMBER 2014	31,900,000	32,428,108	1.10	HONG KONG MONETARY AUTHORITY			
				4.85% EXCHANGE FUND NOTES			
				27 JUNE 2017	43,000,000	49,583,300	1.67

# Portfolio Statement (Unaudited)

as at 31 July 2013

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
THE GOVERNMENT OF THE HKSAR OF THE PRC 0.34% 9 MAY 2016	55,000,000	54,459,168	1.84	Debt securities (total)	2,949,945,867	99.59	
THE GOVERNMENT OF THE HKSAR OF THE PRC 0.46% 11 MAY 2015	152,000,000	152,121,600	5.14	Total investments			
THE GOVERNMENT OF THE HKSAR OF THE PRC 0.97% 8 DECEMBER 2016	149,500,000	149,799,000	5.06	(Total cost of investments: \$2,978,696,935)	2,949,945,867	99.59	
THE GOVERNMENT OF THE HKSAR OF THE PRC 1.43% 2 DECEMBER 2015	318,000,000	324,381,211	10.95	Other net assets	12,240,801	0.41	
THE GOVERNMENT OF THE HKSAR OF THE PRC 2.07% 3 NOVEMBER 2014	253,500,000	258,924,900	8.74	Total net assets	2,962,186,668	100.00	
THE GOVERNMENT OF THE HKSAR OF THE PRC 2.46% 4 AUGUST 2021	84,000,000	85,276,800	2.88				
THE GOVERNMENT OF THE HKSAR OF THE PRC 2.93% 13 JANUARY 2020	221,500,000	235,587,400	7.95				
THE GOVERNMENT OF THE HKSAR OF THE PRC 5.125% 23 JULY 2019	12,500,000	14,951,044	0.50				
		2,691,726,624	90.87				
Unlisted but quoted investments							
EUROFIMA 4.18% 8 JUNE 2015 EMTN	99,000,000	104,497,925	3.53				
MTR CORP (CAYMAN ISLANDS) 2.25% 12 OCTOBER 2022	30,000,000	27,259,920	0.92				
MTR CORP (CAYMAN ISLANDS) 4.28% 6 JULY 2020 EMTN	7,500,000	8,123,351	0.27				
MTR CORP (CAYMAN ISLANDS) 4.5% 11 MAY 2015	33,500,000	35,520,050	1.20				
MTR CORP (CAYMAN ISLANDS) 4.75% 11 MAY 2020	66,000,000	74,971,697	2.53				
MTR CORP (CAYMAN ISLANDS) 4.9% 25 JUNE 2018	7,000,000	7,846,300	0.27				
		258,219,243	8.72				

# Statement of Movements in Portfolio Holdings (Unaudited)

for the year ended 31 July 2013

	<b>% of net asset value 2013</b>	<b>% of net asset value 2012</b>
<b>Debt securities</b>		
Listed investments	90.87	91.25
Unlisted but quoted investments	8.72	8.35
	<hr/>	<hr/>
<b>Debt securities (Total)</b>	99.59	99.60
	<hr/>	<hr/>
<b>Total investments</b>	99.59	99.60
<b>Other net assets</b>	0.41	0.40
	<hr/>	<hr/>
<b>Total net assets</b>	100.00	100.00
	<hr/>	<hr/>



# Performance Record (Unaudited)

## (a) Price record (Dealing net asset value per unit)

The Trust is an index fund which seeks investment results that correspond closely to the total return of the Markit iBoxx ABF Hong Kong Index ("the Index"). There was no constituent security of the Index that accounted for more than 10% of the Index as at 31 July 2013.

Year	Lowest HKD	Highest HKD
2013	98.92	104.92
2012	102.13	105.54
2011	99.53	103.72
2010	101.39	104.67
2009	99.69	108.45
2008	96.32	105.99
2007	96.10	100.69
2006	95.52	100.33

## (b) Total net asset value (at bid prices)

	2013 HKD	2012 HKD	2011 HKD	2010 HKD
Total net asset value	2,962,186,668	3,437,998,043	2,592,419,404	2,355,163,165

## (c) Net asset value per unit (at bid prices)

	2013 HKD	2012 HKD	2011 HKD	2010 HKD
Net asset value per unit	98.92	104.35	101.88	102.64

## (d) Performance

In accordance with chapter 8.6(l) of the Code on Unit Trusts and Mutual Funds, the Trustee is required to provide a comparison of the Trust performance and the actual index performance over the relevant period.

	2013	2012
ABF Hong Kong Bond Index Fund	-3.28%	4.76%
Markit iBoxx ABF Hong Kong Index	<sup>(a)</sup> -2.82%	<sup>(a)</sup> 5.07%

- (a) The benchmark returns are stated on a total return basis. Unlike the Trust, the benchmark returns do not include the impact of trust expenses or trust transaction costs.

Investors should note that investment involves risk and past performance may not be indicative of future performance. Investors should refer to the Trust's Prospectus before making any investment decision.

# Administration

## **Manager and listing agent**

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HSBC Main Building  
1 Queen's Road Central  
Hong Kong

## **Directors of the Manager**

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Patrice Pierre Henri CONXICOEUR  
Julie J KOO  
Po Yee LAM  
Joanna Mary MUNRO  
Edgar Kai Man NG  
Guillermo Eduardo MALDONADO-CODINA

## **Members of supervisory committee**

Stephen Y L CHEUNG  
Gillian HUI  
Andrew MALCOLM  
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## **Investment adviser**

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Issued by HSBC Global Asset Management (Hong Kong) Limited