



XIE Shares FTSE Gold Miners ETF (a sub-fund of XIE Shares Trust II)

Enhanced Investment Products Limited

27 March 2017

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

Quick facts

Stock code:	03116
Trading lot size:	200 Units
Fund Manager:	Enhanced Investment Products Limited (the “Manager”)
Trustee:	Cititrust Limited
Ongoing charges over a year:	Estimated to be 1.70% per year of the Net Asset Value*
Estimated annual tracking difference:	Estimated to be 0.90% per year**
Underlying Index:	FTSE Gold Mines Net Tax Index
Base currency:	Hong Kong dollars
Trading currency:	Hong Kong dollars
Financial year end of this fund:	31 December
Distribution policy:	No dividends are payable
ETF website:	www.xieshares.com.hk

What is this product?

XIE Shares FTSE Gold Miners ETF (the “Sub-Fund”) is a sub-fund of XIE Shares Trust II (the “Trust”), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking exchange traded fund under Chapter 8.6 and Appendix I of the Code on Unit Trusts and Mutual Funds (the “Code”). The Units of the Sub-Fund are listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). They are traded on the SEHK like listed stocks.

Objective and investment strategy

Objective

The investment objective of the Sub-Fund is to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Gold Mines Net Tax Index (the “Index”).

Strategy

The Manager intends to adopt primarily a full replication strategy to achieve the investment objective of the Sub-Fund. The Manager may however, in the appropriate circumstances, choose to use a representative sampling strategy.

When the Sub-Fund adopts a full replication strategy, it will invest substantially all of its assets in the securities constituting the Index in substantially the same weightings (i.e. proportions) as these securities have in the Index. When the Sub-Fund adopts a representative sampling strategy, it may or may not hold all the securities comprised in the Index, and may hold a portfolio of securities which are not included in the Index, provided that these collectively feature a high correlation with the Index.

Investors should note that the Manager may switch between the full replication and representative sampling strategies without notice to investors and in its absolute discretion as it believes appropriate in order to achieve the investment objective of the Sub-Fund by tracking the Index as closely (or efficiently) as possible for the benefit of investors.

* This is an estimate only because the Sub-Fund is newly established. It represents estimated ongoing expenses as a percentage of estimated Net Asset Value of the Sub-Fund. The actual figure may be different upon actual operation of the Sub-Fund and may vary from year to year. The estimated ongoing charges do not represent the estimated tracking error.

** This is an estimated annual tracking difference. Investors should refer to the Sub-Fund’s website for information on the actual tracking difference.



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There is no current intention for the Sub-Fund to:

- (a) invest other than in stocks;
- (b) invest in or utilise any financial derivative instruments for non-hedging (i.e. investment) or hedging purposes; or
- (c) engage in securities lending, repurchase transactions or other similar over-the-counter transactions,

but this may change in light of market circumstances and where the Sub-Fund does engage in these types of transactions, prior approval shall be obtained from the SFC and no less than 1 month's prior notice will be given to the Unitholders.

The investment strategy of the Sub-Fund is subject to the investment and borrowing restrictions set out in the Prospectus.

Index

The Index was launched on 31 December 1992 and is an index of the FTSE Gold Mines Index Series. The Index tracks the performance of gold mining companies' shares globally and encompasses all gold mining companies which have a sustainable, attributable gold production of at least 300,000 ounces a year and which derive 51% or more of their revenue from mined gold. The Index is a total net return index, which means that the performance of the Index constituents is calculated on the basis that any dividends and distributions are reinvested after withholding tax deductions.

As at 20 March 2017, the Index comprised 34 constituents with a total market capitalisation of approximately USD156,505 million. It is a free float adjusted market capitalisation index. The base date of the Index is set at 31 December 1986 with a base value of 100. The Index is denominated and quoted in US dollars.

FTSE International Limited is the Index Provider of the Index. The Manager and its Connected Persons are independent of the Index Provider.

As at 20 March 2017, the 10 largest constituents by market capitalisation of the Index (which accounted in aggregate for approximately 72.05% of the Index) were as follows:

	Company name	Exchange	Weighting %
1	Barrick Gold	Toronto	16.11
2	Newmont Mining	New York	12.78
3	Goldcorp	Toronto	9.59
4	Newcrest Mining	Australia	9.58
5	Agnico Eagle Mines	Toronto	6.97
6	Randgold Resources	London	5.97
7	Anglogold Ashanti	Johannesburg	3.27
8	Kinross Gold	Toronto	3.08
9	Polymetal International	London	2.37
10	Fresnillo	London	2.33

Further information on the Index, including methodology, constituents and ground rules of the Index, is available at the Index Provider's website at www.ftse.com/products/indices/Gold and/or at the Sub-Fund's website at www.xieshares.com.hk.



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Index code

Bloomberg Code: GMIN

What are the key risks?

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

1. General investment risk

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

2. Equity market risk

- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.

3. Gold mining industry risks

- Shares prices of gold mining companies are in general more sensitive to the price movement of gold bullion than companies in other sectors. When the price of gold bullion falls, stock prices of gold mining companies tend to decrease (and vice versa), although there is unlikely to be perfect correlation. In addition, the price of gold may fluctuate substantially over short periods of time, due to a variety of worldwide economic, financial and/or political factors, and so share prices of gold mining companies and hence the Sub-Fund's Unit price may be volatile.
- Some gold mining companies may hedge their exposure to declines in gold prices by selling forward future production, which may result in lower returns during periods when the price of gold increases. Also, competitive pressure within the gold mining industry may have a significant effect on the financial conditions of gold mining companies.
- The operations of gold mining companies are subject to various laws, regulations, policies, standards and requirements. Any changes to these regulations and requirements or to the interpretation or enforcement thereof may increase operating costs and adversely affect the results of the gold mining companies and the Sub-Fund.
- Operations of gold mines are subject to natural disasters, environmental risks and hazards. The occurrence of any natural disaster and/or environmental hazard may delay production, increase production costs, cause personal injuries or property damage, and/or result in liability to the gold mining companies. The profitability of gold mining companies is also related to the costs of extraction and production and may be reduced when such costs increase. The Sub-Fund may be adversely impacted as a result.
- Although the Index encompasses gold mining companies with sustainable and attributable gold production, these companies may engage in exploration activities which are speculative in nature, require significant capital expenditure and may be unsuccessful. This may result in a significant level of uncertainty to the performance of the gold mining companies as well as the Sub-Fund.

4. Emerging markets risk

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



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5. Concentration risk

- The Sub-Fund is subject to concentration risk as a result of tracking the performance of a single industry (gold mining) and a limited number of stocks and may likely be more volatile than a broad-based fund.

6. Passive investments risk

- The Sub-Fund is passively managed and the Manager does not have the discretion to adapt to market changes due to the inherent investment nature of the Sub-Fund. Falls in the Index are expected to result in corresponding falls in the value of the Sub-Fund.

7. Trading risks

- The trading price of the Units on the SEHK is driven by market factors such as demand and supply of the Units. Therefore, the Units may trade at a substantial premium/discount to its Net Asset Value.
- 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 Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.

8. Difference in trading hours risks

- As the stock exchanges on which constituent securities are traded may be open when Units in the Sub-Fund are not priced, the value of the securities in the Sub-Fund's portfolio may change on days when investors will not be able to purchase or sell Units.
- Differences in trading hours between the SEHK and other exchanges may result in the trading price per Unit deviating from its Net Asset Value (i.e. the trading price being at a premium or discount to the Net Asset Value) because such other exchanges may be closed while the SEHK is open and the Index level will not be available.

9. Foreign exchange risk

- An investment in the Sub-Fund may directly or indirectly involve exchange rate risk. The constituent securities of the Index may be denominated in currencies other than the base currency of the Sub-Fund (which is Hong Kong dollars). Fluctuations in the exchange rates between such currency and the base currency may have an adverse impact on the performance of the Sub-Fund.

10. Tracking error risk

- Due to fees and expenses of the Sub-Fund, any adoption of a representative sampling strategy, liquidity of the market, foreign exchange costs and changes to the regulatory policies, the Sub-Fund's return may deviate from that of the Index. The Manager will monitor and seek to minimise tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Index or that the Sub-Fund will achieve its investment objective of corresponding to the performance of the Index.

11. Termination risks

- The Sub-Fund may be terminated early under certain circumstances, for example, where the Index is no longer available for benchmarking or if the size of the Sub-Fund falls below HKD100 million. Any distribution received by a Unitholder on termination of the Sub-Fund may be less than the capital initially invested by the Unitholder, resulting in a loss to the Unitholder.

12. Reliance on market maker and liquidity risks

- Although it is a requirement that the Manager will ensure that at least one market maker will maintain a market for the Units and 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 no guarantee that any market making activity will be effective.



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How has the fund performed?

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

Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the amount of money you invest.

What are the fees and charges?

Please refer to the section entitled “Fees and Expenses” of the Prospectus for details of other fees and expenses.

Charges incurred when trading the Sub-Fund on SEHK

Fee	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027% ¹ of the trading price
Trading fee	0.005% ² of the trading price
Stamp duty	Nil

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

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

Ongoing fees payable by the Sub-Fund

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

	Annual rate (as a % of the Sub-Fund’s value)
Management fee*	0.60%
Trustee fee*	No separate Trustee Fee is charged. The Trustee Fee is included in the Management Fee
Performance fee	None
Administration and custody fees	No separate administration or custody fees are charged. These are included in the Management Fee

* Please note that some fees may be increased up to a permitted maximum amount by providing 1 month’s prior notice to Unitholders. Please refer to the section headed “Fees and Expenses” of the Prospectus for details of these maximum permitted amounts. In addition, the Sub-Fund will pay the Registrar a fee for its services of HKD54,000 per annum.

Other fees

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



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Additional information

You can find the following information relating to the Sub-Fund (in English and in Chinese) at the website at www.xieshares.com.hk (which has not been reviewed or approved by the SFC):

- The Prospectus including the Product Key Facts Statement (as revised from time to time)
- The latest annual audited accounts and interim half yearly unaudited report of the Sub-Fund (in English only)
- Any notices relating to material changes to the Sub-Fund which may have an impact on its investors, such as material alterations or additions to the Prospectus including the Product Key Facts Statement or the constitutive documents of the Trust and the Sub-Fund (as revised from time to time)
- Any public announcements made by the Manager in respect of the Sub-Fund, including information with regard to the Sub-Fund and the Index, the suspension of creations and redemptions of Units, the suspension of the calculation of its Net Asset Value, changes in its fees and the suspension and resumption of trading in its Units
- The near real time estimated Net Asset Value per Unit of the Sub-Fund (updated every 15 seconds throughout each dealing day in Hong Kong dollars)
- The last closing Net Asset Value of the Sub-Fund and the last closing Net Asset Value per Unit of the Sub-Fund in Hong Kong dollars
- The last closing level of the Index
- The composition of the Sub-Fund (updated on a daily basis)
- The latest list of the Participating Dealers and Market Makers of the Sub-Fund
- The past performance information, annual tracking difference and tracking error of the Sub-Fund

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.