THIS ANNOUNCEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT THIS ANNOUNCEMENT, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Xtrackers*

(the "**Company**")
(*This includes synthetic ETFs)

Investment Company with Variable Capital
(société d'investissement à capital variable)
Registered office: 49, avenue J.F. Kennedy, L-1855 Luxembourg,
R.C.S. Luxembourg B-119.899

Xtrackers FTSE China 50 UCITS ETF (Stock code: 3007)

(the "**Sub-Fund**")

ANNOUNCEMENT TO HONG KONG SHAREHOLDERS

Dear Hong Kong Shareholder,

Unless otherwise defined in this announcement, capitalised terms used in this announcement shall have the same meaning as defined in the Hong Kong Prospectus of the Company dated 26 September 2024 (the "**Hong Kong Prospectus**").

The board of directors of the Company (the "**Board of Directors**") hereby informs the shareholders of the Sub-Fund (the "**Shareholders**") that it has resolved to make certain changes to the Sub-Fund, as detailed below (the "**Changes**").

OVERVIEW OF CHANGES

A. Change of Reference Index and Index Administrator

Currently, the Investment Objective of the Sub-Fund is to track the performance of the FTSE CHINA 50 Index (the "**Current Reference Index**").

With effect from 4 December 2024 (the "**Effective Date**"), the Investment Objective of the Sub-Fund will change to track the performance of MSCI China A Inclusion Index (the "**New Reference Index**") (the "**Index Change**"). The rebalancing to the constituents of the New Reference Index is anticipated to take place within one trading day, i.e. the Effective Date. Please refer to section 2 below for more information on the rebalancing process.

1. <u>Information on the New Reference Index and comparison between the Current Reference Index and the New Reference Index</u>

The Index Administrator of the New Reference Index is MSCI Limited. Please refer to Appendix 1 to this Announcement for a summary of information about the New Reference Index. Set out below is a comparison of the key features of the Current Reference Index and the New Reference Index:

	FTSE CHINA 50 Index (Current Reference Index)	**MSCI China A Inclusion Index (New Reference Index)**
Index Administrator	FTSE International Limited	MSCI Inc. and its subsidiaries (which include MSCI Limited)
Investment Universe	The Current Reference Index is designed to represent the performance of the stocks of the mainland Chinese market that are available to international investors. The Current Reference Index includes 50 companies that trade on the SEHK. The Current Reference Index is a total return net index. The constituents of the Current Reference Index are derived from the FTSE All-World Index universe and shall be current constituents of such index.	The New Reference Index is designed to reflect the performance of the shares of large and medium capitalisation Chinese companies, traded on domestic exchanges such as the Shanghai and Shenzhen stock exchanges, that are included in the MSCI Emerging Markets Index (the “**Parent Index**”). The New Reference Index is designed for global investors accessing the onshore A-share market using Stock Connect (as defined below). The New Reference Index is a total return net index. The New Reference Index is designed to track the progressive partial inclusion of A-shares in the Parent Index over time. In the event A-shares of a company are added to the Parent Index, the newly eligible A-shares will also be added to the New Reference Index, reflecting those A-shares compatible with Stock Connect and based on the offshore RMB exchange rate.
Index Free-Float	USD 1,466,260 million	USD 1,720,452.46 million

Adjusted Market Capitalisation		
Number of constituents	50	432
Index Ticker	Bloomberg ticker: GPDEU3TR	Bloomberg ticker: M1CNA

Data as at 30 September 2024

It is proposed to change from the Current Reference Index to the New Reference Index in order for the Sub-Fund to gain exposure to the A-share market. The Management Company believes that the New Reference Index will have a more diversified exposure to the Chinese equity market.

Investors should note that there is no guarantee of (i) the correlation of the two indices in future and (ii) the return of the Sub-Fund after the Index Change.

2. <u>Rebalancing process</u>

The rebalancing of assets held by the Sub-Fund from constituents of the Current Reference Index to constituents of the New Reference Index will commence on the Effective Date and is anticipated to take place within one trading day, i.e. the Effective Date (the "**Rebalancing Period**"). During the Rebalancing Period, the tracking error and tracking difference of the Sub-Fund may be higher than its historical level. Investors should note that after the Rebalancing Period, there is no guarantee that the tracking error and tracking difference of the Sub-Fund will be similar to that before the Index Change.

The Management Company does not expect that the rebalancing will have any material impact on the market.

3. <u>Risk factors</u>

There may be risks involved during the Rebalancing Period. There are also risks involved in relation to the Index Change in general. Please refer to Appendix 2 to this Announcement for potential risk factors.

B. Change to the Sub-Fund's name and website

As a result of the Index Change, the Board of Directors has resolved to change the name and the short name of the Sub-Fund from the Effective Date, as follows:

	As at the date of this Announcement	**From the Effective Date onwards**
Stock code	3007	3007
English name	Xtrackers FTSE China 50 UCITS ETF	Xtrackers MSCI China A UCITS ETF
Chinese name	Xtrackers 富時中國 50 UCITS ETF	Xtrackers MSCI 中國 A UCITS ETF

English stock short name	TRFXIC50	TR MSCI CHINA A
Chinese stock short name	TR 富時 50	TRMSCI 中國
Website	http://Xtrackers.com/HKG/ENG/ETF/LU0292109856/3007/FTSE-China-50-UCITS-ETF[1]	https://etf.dws.com/en-hk/LU0292109856[1]

C. Change in Investment Strategy

Due to the New Reference Index's exposure to A-shares, with effect from the Effective Date, the investment strategy of the Sub-Fund will be changed such that the Sub-Fund will invest up to 100% of its Net Asset Value directly in A-shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (collectively, "**Stock Connect**") (the "**Strategy Change**").

Stock Connect is a securities trading and clearing linked programme developed by the Hong Kong Exchanges and Clearing Limited, the Shanghai Stock Exchange (the "**SSE**"), the Shenzhen Stock Exchange (the "**SZSE**") and the China Securities Depository and Clearing Co., Ltd (the "**ChinaClear**"), with an aim to achieve mutual stock market access between mainland China and Hong Kong. It comprises the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

Under Stock Connect, overseas investors (including the Sub-Fund) may be allowed, subject to rules and regulations issued/amended from time to time, to directly trade certain eligible A-shares through the Northbound Trading Links.

Stock Connect comprises two Northbound Trading Links for investment in A-shares, between SSE and SEHK, and between SZSE and SEHK. Investors may place orders to trade eligible A-shares listed on SSE (such securities, "**SSE Securities**") or on SZSE (such securities, "**SZSE Securities**", and SSE Securities and SZSE Securities collectively, "**Stock Connect Securities**") through their Hong Kong brokers, and such orders will be routed by the relevant securities trading service company established by the SEHK to the relevant trading platform of SSE or SZSE, as the case may be, for matching and execution on SSE or SZSE.

Eligible securities

The SSE Securities include all the constituent stocks of the SSE 180 Index and the SSE 380 Index, and all the SSE-listed A-shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on SEHK, except (i) those SSE-listed shares which are not traded in Renminbi ("**RMB**") and (ii) those SSE-listed shares which are under "risk alert".

The SZSE Securities include all the constituent stocks of the SZSE Component Index

[1] This website has not been reviewed by the Hong Kong Securities and Futures Commission.

and the SZSE Small/Mid Cap Innovation Index which have a market capitalisation of not less than RMB 6 billion and all the SZSE-listed A-shares which have corresponding H-Shares listed on SEHK, except (i) those SZSE-listed shares which are not traded in RMB and (ii) those 422 SZSE-listed shares which are under “risk alert”.

The list of eligible securities may be changed subject to the review and approval by the relevant regulators in the People's Republic of China (“**PRC**”) from time to time.

Foreign shareholding restrictions

Further, under current PRC rules, a single overseas investor’s (including the Sub-Fund’s) shareholding in a listed PRC company (regardless of the channels through which shares in such listed company are held) is not allowed to exceed 10% of the PRC company’s total issued shares, while all overseas investors’ shareholding in the A-shares of a listed PRC company is not allowed to exceed 30% of its total issued shares. If the aggregate overseas shareholding exceeds the 30% threshold, the overseas investors (including the Sub-Fund) concerned will be requested to sell the shares on a last-in-first-out basis within five trading days.

Further information about Stock Connect is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm[1]

Please note that investments in A-shares through Stock Connect are subject to the risks associated with Stock Connect and the A-share market. Please refer to Appendix 2 for risks involved in the Strategy Change.

D. Reduction of the Sub-Fund’s fees

In addition, the Board of Directors has resolved to change the Sub-Fund’s fees with effect from the Effective Date (the “**Fee Change**”), as follows:

Annual rate (as a % of the Sub-Fund’s value)	**As at the date of this Announcement**	**From the Effective Date onwards**
Fixed Fee	0.016667% per month (0.20% p.a.)	Up to 0.016667% per month (0.20% p.a.)
Management Company Fee	Up to 0.40% p.a.	Up to 0.15% p.a.
All-In Fee	Up to 0.60% p.a.	Up to 0.35% p.a.

As a result of the Fee Change, the ongoing charges figure of the Sub-Fund will be updated in the Product Key Facts Statement of the Sub-Fund (the “**KFS**”) due to the reduction of Management Company Fee and All-In Fee. As the All-In Fee of the Sub-Fund comprises the Fixed Fee and the Management Company Fee, which overall cover the ordinary ongoing expenses of the Sub-Fund, the updated ongoing charges figure will be equal to the new All-In Fee effective as of the Effective Date.

IMPACT ON THE COMPANY AND THE SUB-FUND

Other than as outlined above, there will be no change in the operation and/or manner in which the Sub-Fund is being managed. Saved as disclosed herein, there will not be any material change or increase in the risk profile.

The Directors and the Management Company consider that the impact of the Changes will not materially prejudice the existing Shareholders' rights or interests given the investment focus remains to be mainland China. There are no other matters/impact arising from the Changes that may materially prejudice the existing investors' rights or interests.

Other than the Changes, there are no implications on the features of the Sub-Fund.

As a result of the Changes,

- the Management Company does not expect a substantive change to the tracking difference figure of the Sub-Fund. The figure for the year ended 31 December 2023 is currently disclosed in the KFS. The Management Company will monitor the tracking difference and, if necessary, update the figures in the KFS, in accordance with the relevant SFC guidance; and

- information relating to the past performance of the Sub-Fund will continue to be shown in the KFS. Investors should however note that due to the Changes as described above, the circumstances under which performance prior to the Effective Date was achieved will no longer apply.

Costs and expenses ("**Costs**") associated with the Changes will be one-off expenses to implement the Changes (such as legal costs and translation costs etc.) and are estimated to be approximately EUR35,000, which will cover the Costs incurred globally. The Costs will be paid out of the Fixed Fee in respect of the Sub-Fund, and therefore neither the Net Asset Value nor the performance of the Sub-Fund will be impacted materially as a result of the payment of the Costs. For the avoidance of doubt, Transaction Costs incurred as a result of the Index Change (i.e. rebalancing costs) will be borne by the Sub-Fund.

The Changes do not require Shareholders' approval and both the Index Change and the Strategy Change have been approved by the Commission de Surveillance du Secteur Financier of Luxembourg.

GENERAL INFORMATION

Shareholders who subscribe for Shares in the Sub-Fund on the primary market and who do not agree with the Changes, are entitled to redeem their Shares in the Sub-Fund in accordance with the Prospectus. Such redemptions shall be free of any Redemption Charge from the date of this notice until 5:00 p.m. (Luxembourg time) on 2 December 2024. For the avoidance of doubt, the Company does not currently charge any Redemption Charge in respect of redemptions of Shares in the Sub-Fund on the primary market. Please note that the Company does not charge any redemption fee for the sale of Shares on SEHK. Orders to sell Hong Kong Shares through SEHK can be placed via a stockbroker. Such orders to sell Hong Kong Shares may incur costs over which the Company has no control and to which the above exemption on redemption charges does not apply.

The Hong Kong Prospectus and the KFS of the Sub-Fund will be revised to reflect the Changes. Copies of the revised Hong Kong Prospectus and KFS of the Sub-Fund reflecting the Changes will be made available on the Company's website www.xtrackers.com[1] on or around the Effective Date. Hard copies of the revised Hong Kong Prospectus and KFS may also be obtained from DWS Investments Hong Kong Limited, the Hong Kong Representative (address below) free of charge.

Shareholders who have any queries or to whom any of the above is not clear should seek advice from their stockbroker, bank manager, legal advisor, accountant or other independent financial advisor. Shareholders should also consult their own professional advisors as to the specific tax implications under the laws of the countries of their nationality, residence, domicile or incorporation.

The Board of Directors accepts responsibility for the accuracy of the information contained in this announcement.

If you have any queries, please direct these to your financial adviser or alternatively the Hong Kong Representative at Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong (telephone number: +852 2203 6886) or by sending an email to Xtrackers@dws.com.

Xtrackers* (*This includes synthetic ETFs)
The Board of Directors

31 October 2024

Appendix 1

Summary of information about the New Reference Index

General Information on the New Reference Index

The MSCI China A Inclusion Index is designed to reflect the performance of the shares of large and medium capitalisation Chinese companies, listed on domestic exchanges such as the Shanghai and Shenzhen stock exchanges in RMB (A-shares). The New Reference Index is designed for global investors accessing the onshore A-share market using Stock Connect.

The New Reference Index is a total return net index. A total return net index calculates the performance of the index constituents on the basis that any dividends or distributions are reinvested net of applicable withholding tax.

The New Reference Index is a free float-adjusted market capitalisation index and is calculated on a total return basis with net dividends reinvested. The New Reference Index is calculated based on the offshore RMB exchange rate ("**CNH**") and published in USD on an end of day basis.

Securities must be included in the MSCI Emerging Markets Index (the "**Parent Index**") to be eligible for inclusion in the New Reference Index. The New Reference Index is designed to track the progressive partial inclusion of A-shares in the Parent Index over time.

The New Reference Index's investable equity universe includes all A-shares in the Parent Index listed on the Shanghai and Shenzhen stock exchanges. Securities of companies that declare bankruptcy, file for creditor protection, are suspended and are unlikely to resume normal business activity and trading, or fail stock exchange listing requirements with announcements of delisting from stock exchanges are removed from the New Reference Index as soon as it is practical.

In the event A-shares of a company are added to the Parent Index, the newly eligible A-shares will also be added to the New Reference Index, reflecting those A-shares compatible with Stock Connect and based on CNH.

The construction of the Parent Index and the New Reference Index is based on the MSCI Global Investable Market Indices Methodology. The universe of investable equity securities is defined by:

- Identifying eligible listings for each security in the relevant equity universe (i.e. emerging markets or China); and
- Applying investability screens to individual companies and securities in the relevant equity universe.

Identifying Eligible Listings

A security may have a listing in the country where it is classified (i.e. "local listing") and/or in a different country (i.e. "foreign listing"). Securities may be represented by either a local listing or a foreign listing (including a depositary receipt) in the universe.

A security may be represented by a foreign listing only if:

- The security is classified in a country that meets certain foreign listing materiality requirement, and
- The security's foreign listing is traded on an eligible stock exchange.

Investability Screens

The investability screens used to determine the universe of the Parent Index (and hence the New Reference Index) are:

- Equity universe minimum size requirement;
- Equity universe minimum free float-adjusted market capitalisation requirement;
- Minimum liquidity requirement;
- Global minimum foreign inclusion factor requirement;
- Minimum length of trading requirement; and
- Minimum foreign room requirement.

(i) Equity universe minimum size requirement

Equity universe minimum size requirement is an investability screen applied at the company level. The equity universe minimum size requirement is the minimum full market capitalisation a company must have to be a part of a market investable equity universe.

(ii) Equity universe minimum free float-adjusted market capitalisation requirement

The equity universe minimum free float-adjusted market capitalisation requirement is an investability screen which is applied at the individual security level. To be eligible for inclusion in the universe, a security must have a free float-adjusted market capitalisation equal to or higher than 50 percent of the equity universe minimum size requirement.

(iii) Minimum liquidity requirement

A security must have at least one eligible listing that meets certain minimum liquidity requirement to be a part of the universe. Liquidity is measured using 12- and 3-month annual traded value ratios and a three month frequency of trading.

(iv) Global minimum foreign inclusion factor requirement

The minimum foreign inclusion factor requirement is the minimum foreign inclusion factor a security must have to be part of the universe. A security's foreign inclusion factor relates to the proportion of shares outstanding that is available for purchase in the public equity markets by international investors.

(v) Minimum length of trading requirement

The minimum length of trading requirement is the minimum period an individual security must have been trading to be part of the universe. Large IPOs are not subject to this requirement, and may be included in the universe outside of regular index reviews.

(vi) Minimum foreign room requirement

This investability screen is applied at the individual security level. For a security that is subject to a foreign ownership limit to be eligible for inclusion in the universe, the proportion of shares still available to foreign investors relative to the maximum allowed must be at least 15%. The Index Administrator applies a foreign ownership limit of 30% on all A-shares.

To define the size-segment indices for a market, the following free float-adjusted market capitalisation target ranges are applied to the universe:

- Large Cap Index: 70% ± 5%
- Standard Index: 85% ± 5%
- Investable Market Index: 99%+1% or -0.5%

Each of the Parent Index and the New Reference Index is classified as a Standard Index.

Maintaining the MSCI Indices

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve:

- Index continuity;
- Continuous investability of constituents and replicability of the indices; and
- Index stability and low index turnover.

In particular, the index maintenance in respect of the Parent Index and the New Reference Index involves:

Semi-Annual Index Reviews ("**SAIR**") in May and November of the size-segment and global value and growth indices which include:

- Updating the indices on the basis of a fully refreshed equity universe.
- Taking buffer rules into consideration for migration of securities across size and style segments.
- Updating foreign inclusion factors and number of shares.

Quarterly Index Reviews ("**QIRs**") in February and August of the size-segment indices aimed at:

- Including significant new eligible securities (such as IPOs which were not eligible for earlier inclusion) in the index.
- Allowing for significant moves of companies with the size-segment indices, using wider buffers than in the SAIR.

- Reflecting the impact of significant market events on foreign inclusion factors and updating the number of shares.

Ongoing event-related changes. Changes of this type are generally implemented in the indices as they occur. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

Any index constructed on the basis of the MSCI Global Investable Market Indices methodology may be subject to potential concentration and other limitations resulting from changes in the underlying markets. Any such potential limitations of an existing methodology may be assessed as part of the SAIR/QIR process.

Further Information

MSCI Limited has been granted authorisation by the UK FCA as a UK administrator for all MSCI equity indices under the UK's Benchmarks Regulation and is listed on the FCA's register for administrators. Additional information on the New Reference Index, its composition, ESG criteria, calculation and rules for periodical review and rebalancing and on the general methodology behind the MSCI indices can be found on https://www.msci.com. You can also obtain the list of constituents of the New Reference Index with their respective weightings from https://www.msci.com/constituents.

Index Administrator

The New Reference Index is administered by MSCI Inc. and its subsidiaries (which include MSCI Limited) ("**MSCI**"). The Management Company (and each of its Connected Persons) is independent of MSCI.

Appendix 2

Risk Factors

A. Risk related to the Rebalancing Period

During the Rebalancing Period, which is anticipated to take place within one trading day, i.e. the Effective Date, holdings of the Sub-Fund will be rebalanced from constituents of the Current Reference Index to constituents of the New Reference Index. The Management Company considers there is a risk that the tracking error and tracking difference of the Sub-Fund during the Rebalancing Period may increase. Investors who deal with Shares of the Sub-Fund during the Rebalancing Period should exercise caution.

B. Past performance risk

As a result of the change in Reference Index, past performance of the Sub-Fund prior to the Effective Date is achieved under circumstances which will no longer apply from the Effective Date. Investors should exercise caution when considering the past performance of the Sub-Fund prior to the Effective Date.

C. Risks associated with Stock Connect

Quota limitations: Stock Connect is subject to daily quota limitations on investment, which may restrict the Sub-Fund's ability to invest in A-shares through Stock Connect on a timely basis, and the Sub-Fund may not be able to effectively pursue its investment policy.

Suspension risk: SEHK, SSE and SZSE reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which would adversely affect the Sub-Fund's ability to access the PRC market.

Differences in trading day risk: Stock Connect operates on days when both the relevant PRC market and the Hong Kong market are open for trading and when banks in the relevant PRC market and the Hong Kong market are open on the corresponding settlement days. It is possible that there are occasions when it is a normal trading day for the relevant PRC market but Hong Kong and overseas investors (such as the Sub-Fund) cannot carry out any A-shares trading via Stock Connect. As a result, the Sub-Fund may be subject to a risk of price fluctuations in A-shares on a day that the relevant PRC market is open for trading but the Hong Kong stock market is closed.

Restrictions on selling imposed by front-end monitoring: PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE or SZSE (as the case may be) will reject the sell order concerned. SEHK will carry out pre-trade checking on A-shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

Recalling of eligible stocks: If a stock is recalled from the scope of eligible stocks for trading via Stock Connect, the stock can only be sold and cannot be bought. This may affect the Sub-Fund's tracking of the Index if, for example, a constituent of the Index is recalled from the scope of eligible stocks.

Clearing, settlement and custody risk: The Hong Kong Securities Clearing Company Limited (the "**HKSCC**") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission (the "**CSRC**"). The chances of a ChinaClear default are considered to be remote.

Should the remote event of a ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the Sub-Fund may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

A-shares are issued in scripless form, so there will be no physical certificates of title representing the interests of the Sub-Fund in any A-shares. Hong Kong and overseas investors, such as the Sub-Fund, who have acquired Stock Connect Securities through Northbound Trading Links should maintain Stock Connect Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to Stock Connect is available upon request at the registered office of the Management Company.

Operational risk: Stock Connect provides a channel for investors from Hong Kong and overseas, such as the Sub-Fund, to access the China stock market directly. The securities regimes and legal systems of the two markets differ significantly and in order for the platform to operate, market participants may need to address issues arising from the differences on an on-going basis.

Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

Further, the "connectivity" in Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. an order routing system ("**China Stock Connect System**") set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the

SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The Sub-Fund's ability to access the A-share market (and hence to pursue their investment strategy) will be adversely affected.

Nominee arrangements in holding A-shares: HKSCC is the “nominee holder” of Stock Connect Securities acquired by overseas investors (including the Sub-Fund) through Stock Connect. The CSRC Stock Connect Rules expressly provide that investors enjoy the rights and benefits of the Stock Connect Securities acquired through Stock Connect in accordance with applicable laws. CSRC has also made statements dated 15 May 2015 and 30 September 2016 that overseas investors that hold Stock Connect Securities through HKSCC are entitled to proprietary interests in such securities as shareholders. However, it is still possible that the courts in the PRC may consider that any nominee or custodian as registered holder of Stock Connect Securities would have full ownership thereof, and that even if the concept of beneficial ownership is recognized under PRC law those Stock Connect Securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the Sub-Fund and the Depositary cannot ensure that the Sub-Fund’s ownership of these securities or title thereto is assured in all circumstances.

Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the Stock Connect Securities in the PRC or elsewhere. Therefore, although the relevant Sub-Fund’s ownership may be ultimately recognised, the Sub-Fund may suffer difficulties or delays in enforcing its rights in A-shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Depositary and the Sub-Fund will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that the Sub-Fund suffers losses resulting from the performance or insolvency of HKSCC.

Lack of investor compensation: Hong Kong’s Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. For defaults occurring on or after 1 January 2020, Hong Kong’s Investor Compensation Fund also covers investors’ losses in relation to securities traded on a stock market operated by the SSE or the SZSE and in respect of which an order for sale or purchase is permitted to be routed through the northbound link of a Stock Connect arrangement.

On the other hand, since the Sub-Fund is carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, it is not protected by the China Securities Investor Protection Fund in the PRC.

Trading costs: In addition to paying trading fees and stamp duties in connection with A-share trading, the Sub-Fund may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock trades which are yet to be determined by the relevant authorities.

Regulatory risk: Stock Connect is relatively novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under Stock Connect. Such regulations are subject to change which may have potential retrospective effect. Also, there can be no assurance that Stock Connect will not be abolished. The Sub-Fund which may invest in the PRC markets through Stock Connect may be adversely affected as a result of such changes.

Participation in corporate actions and shareholders' meetings: The HKSCC will keep CCASS participants informed of corporate actions of SSE Securities and SZSE Securities. Hong Kong and overseas investors (including the Sub-Fund) will need to comply with the arrangement and deadline specified by their respective brokers or custodians (i.e. CCASS participants). The time for them to take actions for some types of corporate actions of SSE Securities and SZSE Securities may be as short as one business day only. Therefore, the Sub-Fund may not be able to participate in some corporate actions in a timely manner.

Hong Kong and overseas investors (including the Sub-Fund) are holding SSE Securities and SZSE Securities traded via Stock Connect program through their brokers or custodians. According to existing practice in mainland China, multiple proxies are not available. Therefore, the Sub-Fund may not be able to appoint proxies to attend or participate in shareholders' meetings in respect of the SSE Securities and SZSE Securities.

D. Risks associated with the A-share market

Dependence upon Trading Market for A-shares: The existence of a liquid trading market for the A-shares may depend on whether there is supply of, and demand for, A-shares. Investors should note that SSE and SZSE on which A-shares are traded are undergoing development and the market capitalisation of, and trading volumes on, those exchanges may be lower than those in more developed financial markets. Market volatility and settlement difficulties in the A-share market may result in significant fluctuation in the prices of the securities traded on such markets and thereby changes in the Net Asset Value of the Sub-Fund.

Restricted markets risk: The Sub-Fund may invest in securities in respect of which the PRC imposes limitations or restrictions on foreign ownership or holdings. Such legal and regulatory restrictions or limitations may have adverse effects on the liquidity and performance of the Sub-Fund holdings as compared to the performance of the New Reference Index. This may increase the risk of tracking error and, at the worst, the Sub-Fund may not be able to achieve its investment objective and/or the Sub-Fund may have to be closed for further subscriptions.

A-share market suspension risk: A-shares may only be bought or sold when the relevant A-shares are traded on SSE or SZSE, as appropriate. Given that the A-share market is considered volatile and unstable (with the risk of suspension of a particular stock and/or the whole market, whether as a result of government intervention or otherwise), the subscription and redemption of Shares may also be disrupted. An Authorised Participant may be less likely to redeem or subscribe Shares if it considers that A-shares may not be available.

A-share market trading hours difference risk: Differences in trading hours between foreign stock exchanges (e.g. SSE and SZSE) and the relevant stock exchange may increase the level of premium / discount of the Share price to its Net Asset Value because if a PRC stock exchange is closed while the relevant stock exchange is open, the New Reference Index level may not be available.

The prices quoted by the relevant stock exchange market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the New Reference Index level and as a result, the level of premium or discount of the Share price of the relevant Share Class to its Net Asset Value may be higher.

Trading differences risk: As the SSE and the SZSE may be open when Shares in the Sub-Fund are not priced and traded on SEHK, 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 the Sub-Fund's Shares. Furthermore, the market price of underlying securities listed on the above stock exchanges which are established outside Hong Kong may not be available during part or all of the SEHK trading sessions due to trading hour differences which may result in the trading price of the Sub-Fund deviating away from the Net Asset Value. A-shares may be subject to trading bands which restrict increases and decreases in the trading price. Shares listed on the SEHK are not subject to such trading bands. The prices quoted by the SEHK market maker would therefore be adjusted to take into account any accrued market risk that arises from such unavailability of the New Reference Index level and as a result, the level of premium or discount of the Share price of the Sub-Fund to its Net Asset Value may be higher.

Currency risk: RMB is currently not freely convertible and is subject to exchange controls and restrictions which, under exceptional circumstances, may cause a delay in payment of redemptions and/or dividend payments in RMB. Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.