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PRESS RELEASE

VANGUARD LAUNCHES HONG KONG'S MOST COMPREHENSIVE CHINA ETF¹

Low-cost Vanguard Total China Index ETF covers all major Chinese share classes listed globally, giving investors a broad exposure to world's second-largest economy

Hong Kong, 10 May 2018 — Vanguard, one of the world's leading asset managers and the pioneer of low-cost investing, is expanding its exchange traded fund (ETF) lineup with the launch of Vanguard Total China Index ETF (ticker: 3169), which listed today on The Stock Exchange of Hong Kong.

Vanguard Total China Index ETF tracks the FTSE Total China Connect Index, which comprises large- and mid-cap Chinese equities listed in or outside China, including Mainland China, Hong Kong, the United States and Singapore. Consisting of 1,058 constituents including A-shares, H-shares, P-chips and N-shares, the FTSE Total China Connect Index covers 73% of all Chinese equities² listed globally and is the most comprehensive target benchmark among all Chinese equity ETFs in Hong Kong.¹

“Now the world's second largest economy, China's share of global GDP more than tripled to 15% in 2017 from 4% in 2000,” said Qian Wang, Managing Director and Chief Economist, Asia-Pacific, at Vanguard. “Several factors bode well for China's economy: The country is moving towards a more sustainable growth path; tighter regulations are reducing systemic risks; investment is moving towards more efficient sectors; and technology is being used to support productivity gains. The likely outcome in the long run is a smooth rebalancing to consumption and service-led growth.”

¹ Vanguard Total China Index ETF's benchmark FTSE Total China Connect Index represents 73% of all Chinese equities listed globally (by full market capitalization) and is the highest among all Chinese equity ETFs in Hong Kong. Source: Vanguard, using data from FTSE Russell, MSCI and Bloomberg, as at 30 March 2018.

² Definition of Chinese equities is based on the FTSE China Universe. Source: Vanguard, using data from FTSE Russell, MSCI and Bloomberg, as at 30 March 2018.

“China is an emerging market and exhibits volatility in line with other emerging-market countries, but on a global scale it has become the world's second largest equity market. For investors, China’s equity market is just too big to ignore,” said Cyrus Mui, Head of Product Research, Asia, at Vanguard. “Vanguard Total China Index ETF not only offers a broad opportunity set, but also provides the diversification benefit of spreading risk among a greater range and number of Chinese companies, ranging from financials, technology, consumer services to industrials etc. This diversification could help minimise return cyclicality and enhance investors’ returns relative to the amount of risk they take.”

Available in multiple trading currencies - Hong Kong dollars (HKD), Renminbi (RMB) and US dollars (USD) – Vanguard Total China Index ETF’s annual ongoing charge (OC) is 0.40%³, compared with the asset-weighted average OC of 0.78% of other Chinese equity ETFs listed in Hong Kong⁴. Vanguard research shows that lower-cost funds have tended to outperform higher-cost funds in the long run – in short, the lower the cost, the more investment returns investors could keep in their pockets.

The new ETF brings the number of Vanguard’s Hong Kong listed ETFs to six. With just five Vanguard ETFs, including ETFs tracking the FTSE Asia Pacific ex Japan, Australia and New Zealand Index, FTSE Developed Europe Index, FTSE Japan Index, S&P 500 Index and FTSE Total China Connect Index, investors could access more than 80% of global equity markets⁵. Investors can also enhance their core portfolio with our equity income ETF which tracks the FTSE Asia Pacific ex Japan, Australia and New Zealand High Dividend Yield Index.

“Demand for exposure to fast-growing China is only going to increase as the world’s most populous country liberalizes, and a low-cost, convenient and flexible ETF that offers a

³ Ongoing charges (per annum) is expressed as a percentage of the average net asset value of the fund.

⁴ Based on categorization of Chinese equity ETFs on the HKEX. Source: Bloomberg and HKEX, as at 29 March 2018.

⁵ Source: Vanguard calculations using index data from FTSE and S&P as at 31 March 2018.

balanced sector exposure to Chinese equities is an excellent vehicle to access the opportunity,” said Linda Luk, Managing Director, Retail and Intermediary Business, Asia, Vanguard. “Indexing is one of the most efficient vehicles to connect investors to broad capital markets.”

Table 1: Key fund facts

ETF name	Vanguard Total China Index ETF
Stock code	3169 (HKD) 83169 (RMB) 9169 (USD)
Underlying index	FTSE Total China Connect Index
Ongoing charges	0.40% (per annum) ⁶
Exchange	The Stock Exchange of Hong Kong

Table 2: Chinese share class

Share class	A-shares, B-shares	H-shares, Red chips, P-chips	N-shares	S-chips
Listing venue	Mainland China	Hong Kong	US	Singapore

IMPORTANT: Investment involves risk, including the loss of principal. Investors are advised to consider their own investment objectives and circumstances in determining the suitability of an investment in the Vanguard Total China Index ETF (the "Fund"). If you are in any doubt, you should seek professional advice. Investors should refer to the fund prospectus for further details, including the product features and risk factors. Investors should not base investment decisions on this marketing material alone. Investors should note:

- The Fund seeks to provide investment results that, before fees and expenses, closely correspond to the performance of the FTSE Total China Connect Index.
- The Fund concentrates its investments in Chinese securities and the PRC market may be more volatile than other markets and may be subject to a higher level of risks compared to investing in a more diversified portfolio/strategy. The value of the Fund may also be more susceptible to the adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory events affecting the PRC market.
- The Stock Connect is subject to quota limitations and its relevant rules and regulations are subject to change which may have potential retrospective effect. Where a suspension in the trading through the

⁶ Ongoing charges (per annum) is expressed as a percentage of the average net asset value of the fund.



programme is effected, the Fund's ability to invest in China A-Shares or access the PRC market through the programme will be adversely affected.

- The units of the Fund are traded on the Stock Exchange of Hong Kong Limited ("SEHK"). Their prices on the SEHK are based on secondary market trading factors, and the Fund's market prices may deviate significantly from the net asset value.
- The base currency of the Fund is RMB and distributions are made in RMB only. RMB is currently not freely convertible and is subject to exchange controls and restrictions. Non-RMB based investors are exposed to foreign exchange risk. The limited availability of RMB outside the PRC may affect the liquidity and trading price of RMB traded units.
- The market price of units traded in each HKD, RMB and USD counter may deviate from each other significantly. Further, if there is a suspension of the inter-counter transfer of units between the counters and/or any limitation on the level of services by brokers, investors will only be able to trade their units in one counter only.

- The end -

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Investors should refer to the ETF prospectus for further details, including product features, risk factors and restrictions on owning and holding the ETF(s). Investors should not base investment decisions on this document alone. Further details of the ETF(s) can be found at www.vanguard.com.hk.

The ETF(s) is traded on the HKEx at secondary market price, which may be different from the net asset value of the ETF(s).



Past performance is not an indication of future performance.

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