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## **Premia China USD Property Bond ETF**

**(Stock Code: 3001 / 83001 / 9001)**

### **sub-fund of Premia ETF Series**

**(a Hong Kong unit trust authorized under Section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)**

## Notice and Announcement

### Deviation of Tracking difference of Premia China USD Property Bond ETF

Premia Partners Company Limited, the Manager of Premia ETF Series (“**Manager**”), announces that during the fourth quarter of 2022, Premia China USD Property Bond ETF (“**Sub-Fund**”) experienced an annualized tracking difference that deviated from the estimated annual tracking difference as disclosed in the offering documents and the website of the Sub-Fund.

All capitalized terms used in this notice and announcement (but not defined) have the same meaning ascribed to them in Premia ETF Series’ Prospectus dated 3 February 2023 (“**Prospectus**”), which is available at its website at [www.premia-partners.com](http://www.premia-partners.com)<sup>1</sup> and the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk).

#### **Deviation of annualized tracking difference as disclosed in the offering documents and website of the Sub-Fund**

This announcement serves to notify investors of the Sub-Fund that as of 30 December 2022, the Sub-Fund experienced an annualized tracking difference of -9.10% (“**Annualized TD**”) against ICE 1-5 Year USD China Senior Real Estate Corporate Constrained Index, the underlying index of the Sub-Fund (“**Index**”). The Annualized TD deviated from the estimated annual tracking difference of -2.5% (“**Estimated TD**”) based on historical pattern as disclosed in the offering documents of the Sub-Fund.

During 2022 and especially so in the last quarter of 2022, the Sub-Fund experienced very volatile market conditions which led to larger than normal bid-ask spreads for the constituents of the Index. Certain constituents were also trading at extreme levels, resulting in a substantial increase in the trading costs of the Sub-Fund that was not similarly reflected in the index.

While the Index assumes the rebalance could be done at the index’s evaluated prices, the Sub-Fund may not be able to do so resulting in transaction costs and trading friction. The Annualized TD to a large extent reflected the implementation costs of the Sub-Fund.

Acting in the best interests of the Sub-Fund and its investors and within the constraints of the Prospectus, the Manager endeavoured to avoid replicating certain distressed holdings of the Index with abnormally high mark-ups during such temporary surge in transaction costs. The Manager postponed the rebalancing trades of those distressed holdings by spreading them over a few days so as to obtain better pricing and effectuate a lower impact to tracking error over time. Such decision was aimed at protecting investors’ interests from extreme price fluctuation and immediate loss that investors would otherwise have had to suffer. The Manager had been prudent and continued monitoring the market

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<sup>1</sup> This website is not reviewed by the SFC.

conditions at all material times. Given the volatile market conditions persisted for longer than expected however, the Fund inevitably could not avoid entirely impacts from the erratic price movements during all rebalancing trades, leading to the Annualized TD that we observed at the end of 2022.

These led the Annualized TD of the Sub-Fund to deviate from the Estimated TD during the relevant period.

The latest tracking difference of the Sub-Fund in January 2023 was +1.1% (the Sub-Fund performance at 16.9% against the Index performance at 15.8%). The since inception tracking difference is improving over time and is on track to gradually come back down to levels more aligned with the Estimated TD as a result of the recovery of the bond market from a very distressed level since January 2023, and prices quoted by the Sub-Fund's brokers being more competitive.

The Manager will continue to monitor the tracking difference of the Sub-Fund which will be updated in the Sub-Fund's website periodically. The Manager will also keep monitoring the market conditions on an ongoing basis, with a view of achieving smaller tracking difference.

If you have any queries in relation to this notice and announcement or Premia ETF Series, please contact us at 12/F Baskerville House, 13 Duddell Street, Central, Hong Kong, telephone number (852) 2950 5777, fax number (852) 2950 5700, or via email at [enquiries@premia-partners.com](mailto:enquiries@premia-partners.com).

**Premia Partners Company Limited  
as the Manager of Premia ETF Series**

Date: 28 February 2023