

# PRODUCT KEY FACTS

## Samsung HSI Daily (2x) Leveraged Product

Issuer: Samsung Asset Management  
(Hong Kong) Limited

三星資產運用（香港）有限公司

17 December 2020

***This is a leveraged product. It is different from conventional exchange traded funds as it seeks leveraged investment results relative to the Index and only on a Daily basis.***

***This product is not intended for holding longer than one day as the performance of this product over a longer period may deviate from and be uncorrelated to the leveraged performance of the Index over the period.***

***This product is designed to be used for short term trading or hedging purposes, and is not intended for long term investment.***

***This product only targets sophisticated trading-oriented investors who understand the potential consequences of seeking Daily leveraged results and the associated risks and constantly monitor the performance of their holdings on a Daily basis.***

***This is a product traded on the exchange.***

***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:	07205
Trading lot size:	200 Units
Manager:	Samsung Asset Management (Hong Kong) Limited 三星資產運用（香港）有限公司
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Ongoing charges over a year <sup>#</sup> (annual average daily ongoing charges <sup>##</sup> ):	2.31% (0.0094%)
Actual annual average daily tracking difference <sup>###</sup> :	0.00%
Underlying Index:	Hang Seng Index (HSI)
Trading currency:	Hong Kong dollars (HKD)
Base currency:	HKD

<b>Distribution policy:</b>	Annually (usually in March of each year) (if any) in HKD subject to the Manager’s discretion. Distributions may be paid out of capital or effectively out of capital.
<b>Financial year end of this product:</b>	31 March
<b>Product website:</b>	<a href="http://www.samsungfund.com.hk/en/products/07205">www.samsungfund.com.hk/en/products/07205</a> (this website has not been reviewed by the SFC)

## What is this product?

Samsung HSI Daily (2x) Leveraged Product (the “**Product**”) is a sub-fund of Samsung Leveraged and Inverse Investment Product Series, an umbrella unit trust established under Hong Kong law. Units of the Product (“**Units**”) are listed on The Stock Exchange of Hong Kong Limited (the “**SEHK**”). These Units are traded on the SEHK like listed stocks. It is a futures-based product which invests directly in futures contracts on the Index traded on the Hong Kong Futures Exchange Limited (the “**HKFE**”) (“**HSI Futures Contracts**”) so as to give the Product twice (2x) the Daily performance of the Index.

## Objective and Investment Strategy

### Objective

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the Daily performance of the Hang Seng Index (HSI) (the “**Index**”). **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

“**Daily**” in relation to the leveraged performance of the Index or performance of the Product, means the leveraged performance of the Index or performance of the Product (as the case may be) from the close of the relevant market of a given Business Day until the close of the relevant market on the subsequent Business Day.

### Strategy

In seeking to achieve the Product’s investment objective, the Manager adopts a futures-based replication investment strategy through investing directly in the spot month HSI Futures Contracts, subject to the rolling strategy discussed below, to obtain the required exposure to the Index.

In entering into the spot month HSI Futures Contracts, the Manager anticipates that no more than 20% of the net asset value of the Product (the “**Net Asset Value**”) from time to time will be used as margin to acquire HSI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange during extreme market turbulence), the margin requirement may increase substantially.

Not less than 70% of the Net Asset Value of the Product (this percentage may be reduced proportionately under exceptional circumstances where there is a higher margin requirement, as described above) will be invested in cash (HKD) and other HKD denominated investment products, such as deposits with banks in Hong Kong and SFC authorised money market funds in accordance with the requirements of the Code. In addition, the Product may invest up to 10% of its Net Asset Value in exchange traded fund(s) authorised by the SFC and listed in Hong Kong, the investment objective of which is/are to track the performance of the Index and which is/are not managed by the

# The ongoing charges figure is an annualized figure based on expenses during the period from 1 April 2020 to 7 December 2020. It represents the ongoing expenses chargeable to the Product as a percentage of the average Net Asset Value of the Product over the same period, annualized to give an ongoing charges figure over a year. The figure may vary from year to year.

## The annual average daily ongoing charges figure is equal to the ongoing charges figure divided by the number of dealing days for a year. The figure may vary from year to year.

### This is the actual annual average daily tracking difference of the most recent calendar year. Investors should refer to the Product’s website for information on the actual daily tracking difference and an updated actual average daily tracking difference.

Manager (“**HSI ETFs**”). Investments in exchange traded funds by the Product are considered and treated as listed securities for the purposes of and subject to the requirements in Chapters 7.1, 7.1A and 7.2 of the Code.

### **Daily rebalancing**

On each day when the HKFE and the SEHK are open for trading (i.e. a Business Day), the Product will seek to rebalance its portfolio at or around the close of trading of the underlying markets, by increasing exposure in response to the Index’s Daily gains or reducing exposure in response to the Index’s Daily losses, so that its Daily leveraged exposure ratio to the Index is consistent with the Product’s investment objective.

### **Futures roll**

The Manager will use its discretion to carry out the roll-over of the spot month HSI Futures Contracts into the next month HSI Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month HSI Futures Contracts, all roll over activities would have occurred.

### **Index**

The Hang Seng Index, commonly referred to as HSI, measures the performance of the largest and most liquid companies listed in Hong Kong. It comprises a representative sample of stocks quoted on the SEHK. The Index is a price index without adjustments for cash dividends or warrant bonuses. The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a 10% cap on individual constituent weightings.

As at 31 March 2020, it comprised 50 constituent stocks with total market capitalisation of approximately HKD15,689,289 million. The Index was launched on 24 November 1969 with a base level of 100 on 31 July 1964. The Index is denominated in HKD and compiled and managed by Hang Seng Indexes Company Limited (the “**Index Provider**”). The Manager (and each of its connected persons) is independent of the Index Provider.

You can obtain the list of the constituents of the Index, their respective weightings and additional information of the Index from the following website [www.hsi.com.hk](http://www.hsi.com.hk) (this website has not been reviewed by the SFC).

### **Index information**

Bloomberg code: HSI

Reuters code: .HSI

## **Use of derivatives**

The Product’s net derivative exposure may be more than 100% of the Product’s Net Asset Value.

## **What are the key risks?**

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

### **1. Investment risk**

- The Product is a derivative product and is not suitable for all investors. There is no guarantee of the repayment of principal. Therefore your investment in the Product may suffer substantial/total losses.

### **2. Long term holding risks**

- **The Product is not intended for holding longer than one day** as the performance of the Product over a period longer than one day will very likely differ in amount and possibly direction from the leveraged performance of the Index over that same period (e.g. the loss may be more than twice the fall in the Index).
- The effect of compounding becomes more pronounced on the Product’s performance as the Index experiences volatility. With higher Index volatility, the deviation of the Product’s performance

from the leveraged performance of the Index will increase, and the performance of the Product will generally be adversely affected.

- As a result of Daily rebalancing, the Index's volatility and the effects of compounding of each day's return over time, it is even possible that the Product will lose money over time while the Index's performance increases or is flat.

### 3. Leverage risk

- The Product will utilise leverage to achieve a Daily return equivalent to twice (2x) the return of the Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

### 4. Rebalancing activities risk

- There is no assurance that the Product can rebalance its portfolio on a Daily basis to achieve its investment objective. Market disruption, regulatory restrictions or extreme market volatility may adversely affect the Product's ability to rebalance its portfolio.

### 5. Liquidity risk

- The rebalancing activities of the Product will typically take place near the end of a Business Day at or around the close of trading of the underlying markets to minimise tracking difference. As a result, the Product may be more exposed to the market conditions during a shorter interval and may be more subject to liquidity risk.

### 6. Volatility risk

- Prices of the Product may be more volatile than conventional ETFs because of using leverage and the Daily rebalancing activities.

### 7. Intraday investment risk

- The Product will normally be rebalanced near the end of a Business Day at or around the close of trading of the underlying markets. As such, return for investors that invest for period less than a full trading day will generally be greater than or less than two times (2x) leveraged investment exposure to the Index, depending upon the movement of the Index from the end of one trading day until the time of purchase.

### 8. Portfolio turnover risk

- Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional ETFs. High levels of transactions increase brokerage and other transaction costs.

### 9. Futures contracts risks

- The Product is a futures based product. Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. The leverage component of futures contracts can result in a loss significantly greater than the amount invested in the futures contracts by the Product. Exposures to futures contracts may lead to a high risk of significant loss by the Product.
- A "roll" occurs when an existing futures contract is about to expire and is replaced with a futures contract representing the same underlying but with a later expiration date. The value of the Product's portfolio (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward (due to the higher price of the futures contract with a later expiration date) as the futures contracts approach expiry.
- There may be imperfect correlation between the value of the underlying reference assets and the futures contracts, which may prevent the Product from achieving its investment objective.

### 10. Holding of HSI Futures Contracts restriction in number risk

- The current restriction in the Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules") limits the holding of HSI Futures Contracts by a fund or product. As such, the positions held or controlled by the Product are subject to the prescribed position limit and may not exceed the relevant maximum under the Rules. If the Net Asset Value of the Product grows significantly, the restrictions under the Rules may prevent creations of Units due to the inability of

the Product to acquire further HSI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit. The investment exposure could also deviate from the target exposure which increases tracking error risk for the Product.

- The positions of futures contracts or stock options contracts held or controlled by the Manager, including positions held for the Manager's own account or for the funds under its management (such as the Product) but controlled by the Manager, may not in aggregate exceed the relevant maximum under the Rules. Accordingly, if the position held or controlled by the Manager reaches the relevant position limit, the restrictions under the Rules may prevent creations of Units due to the inability under the Rules of the Product to acquire further HSI Futures Contracts. This may cause a divergence between the trading price of a Unit on the SEHK and the Net Asset Value per Unit and increase the tracking error risk for the Product.

#### **11. Concentration risk**

- To the extent that the Index constituents are concentrated in Hong Kong listed securities (including H-shares and red chip shares) of a particular sector or market, the investments of the Product may be similarly concentrated. The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Product may be more susceptible to any adverse conditions in such particular market/sector.

#### **12. Distributions risk**

- Where distributions are distributed out of capital or effectively out of capital, this amounts to a return or withdrawal of an investor's original investment or from any capital gains attributable to that original investment and may result in an immediate reduction in the Net Asset Value per Unit.

#### **13. Passive investments risks**

- The Product is not "actively managed" and therefore the Manager will not adopt any temporary defensive position when the Index moves in an unfavourable direction. In such circumstances the Product will also decrease in value.

#### **14. Trading risks**

- The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Therefore, the Units may trade at a substantial premium or discount to the 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.

#### **15. Trading differences risk**

- The HKFE and the SEHK have different trading hours. As the HKFE may be open when Units in the Product are not priced, the value of the HSI Futures Contracts in the Product's portfolio may change at times when investors will not be able to purchase or sell the Product's Units. Difference in trading hours between the HKFE and the SEHK may increase the level of premium/discount of the Unit price to its Net Asset Value.
- Trading of the Index constituents closes earlier than trading of HSI Futures Contracts, and so there may continue to be price movements for HSI Futures Contracts when Index constituents are not trading. There may be imperfect correlation between the value of the Index constituents and HSI Futures Contracts, which may prevent the Product from achieving its investment objective.

#### **16. Reliance on market maker risks**

- Although the Manager will use its best endeavours to put in place arrangements so that at least one market maker will maintain a market for the Units and gives not less than 3 months' notice prior to termination of the market making arrangement, liquidity in the market for the Units may be adversely affected if there is only one market maker for the Units. There is no guarantee that any market making activity will be effective.

#### **17. Tracking error and correlation risks**

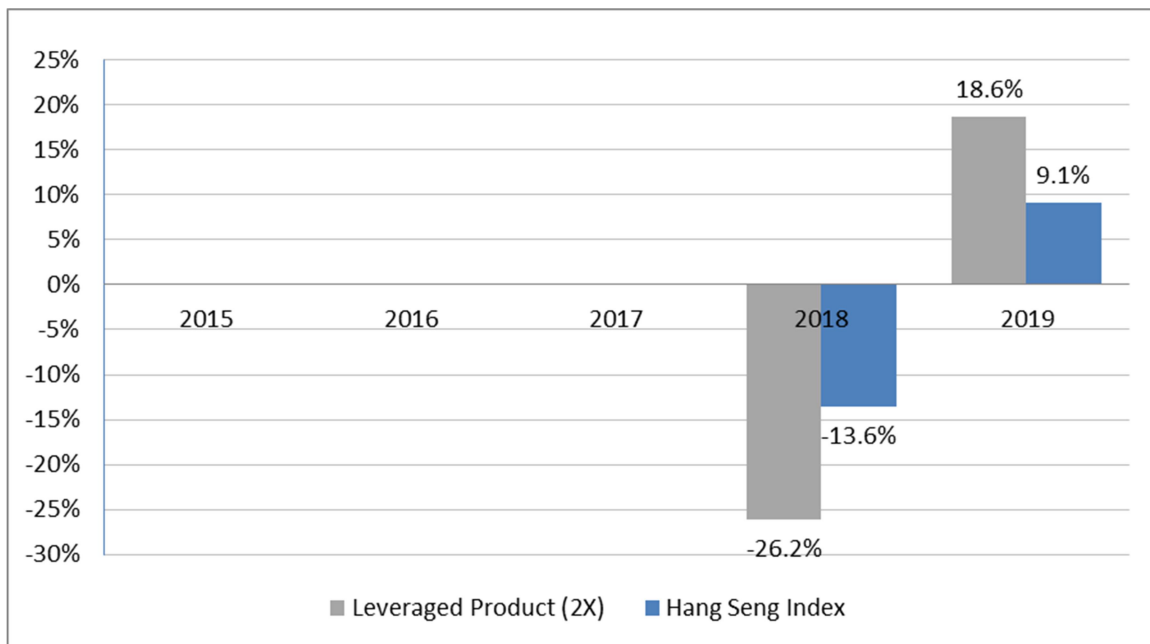
- Fees and expenses of the Product, high portfolio turnover, liquidity of the market and the investment strategy to be adopted by the Manager may result in tracking error and may reduce

the correlation between the performance of the Product and the two times (2x) Daily leveraged performance of the Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the Daily leveraged performance of the Index.

**18. Termination risk**

- The Product may be terminated early under certain circumstances, for example, where there is no market maker, the Index is no longer available for benchmarking or if the size of the Product falls below HKD40 million. Any distribution received by a Unitholder on termination of the Product may be less than the capital initially invested by the Unitholder, resulting in a loss to the Unitholder.

**How has the product performed?**



- Past performance information of the Product is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of performance of the Product is based on the calendar year end, NAV-To-NAV, with dividend reinvested.
- The graph shows how much the Product and the underlying index increased or decreased in value during the calendar year being shown.
- Performance of the Product has been calculated in HKD taking into account ongoing charges and excluding your trading costs on SEHK.
- The Product seeks to achieve its stated investment objective in one day and rebalances at the end of the day. That is, the performance of the Product may not correspond to two times the return of the underlying index over a one-year period or any period beyond one day. Investors should refer to the Prospectus for more information about the differences between the performance of the Product and two times the return of the underlying index over a period longer than one day.
- Where no past performance is shown there was insufficient data available in that year to provide performance.

- Fund launch date: 14 March 2017

## Is there any guarantee?

The Product does not have any guarantees. You may not get back the full amount of money you invest.

## What are the fees and charges?

### Charges incurred when trading the Product on the SEHK

Fees	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027% <sup>1</sup> of the trading price
SEHK trading fee	0.005% <sup>2</sup> of the trading price
Stamp duty	Nil

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

<sup>2</sup> 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 Product

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

	Annual rate (as a % of Net Asset Value)
<b>Management fee*</b> The Product pays a management fee to the Manager.	0.65%
<b>Trustee's fee*</b>	0.08%, subject to a monthly minimum of HKD 11,500
<b>Performance fee</b>	Nil
<b>Administration fee</b>	Nil

### Other fees

You may have to pay other fees when dealing in the Units of the Product.

### Additional information

The Manager will publish important news and information with respect to the Product (including in respect of the Index), in the English and Chinese languages (unless otherwise specified), on the Manager's website at [www.samsungetf.com.hk](http://www.samsungetf.com.hk) (which has not been reviewed by the SFC) including:

- the Prospectus and this statement (as revised from time to time);
- the latest annual financial report and interim unaudited financial report (in English only);
- any notices relating to material changes to the Product which may have an impact on its investor such as material alterations or additions to the Prospectus or the Product's constitutive documents;
- any public announcements made by the Product, including information with regard to the Product and Index, and notices of the suspension of creation and redemption of Units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension

\* Please note that these fees may be increased up to a permitted maximum on giving 1 month's notice to Unitholders. Please refer to the section of the Prospectus entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees allowed as well as other ongoing expenses that may be borne by the Product.

- and resumption of trading;
- (e) the near real time indicative Net Asset Value per Unit throughout each dealing day in HKD;
  - (f) the last Net Asset Value of the Product in HKD, and last Net Asset Value per Unit in HKD (updated on a daily basis);
  - (g) the daily tracking difference, the average daily tracking difference and the tracking error of the Product;
  - (h) the past performance information of the Product;
  - (i) the full portfolio information of the Product (updated on a Daily basis);
  - (j) a “performance simulator” of the Product which allows investors to select a historical time period and simulate the performance of the Product vis-à-vis the Index during that period based on historical data;
  - (k) the composition of dividends for the Product (i.e. the relative amounts paid out of (i) net distribution income, and (ii) capital), if any, for a rolling 12-month period; and
  - (l) the latest list of the participating dealers and market makers.

### **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.