

**CSOP KOSPI 200 Covered Call Active ETF* (*This is a synthetic ETF)
a sub-fund of the CSOP ETF Series*
(*This includes synthetic ETFs)**

CSOP Asset Management Limited

28 July 2026

- ***This is an active exchange traded fund.***
- ***The investment strategy of this product involves using swaps to obtain an exposure to the KOSPI 200 Index through KOSPI 200 Futures, where the return on KOSPI 200 Futures may not correlate with the spot price return of its reference asset, the KOSPI 200 Index.***
- ***The KOSPI 200 Index is heavily concentrated in its top two constituents (i.e. Samsung Electronics Co., Ltd. and SK Hynix Inc.) which are of the same sector (i.e. the electronics and technology hardware industry, focusing on the semiconductor business). Correspondingly, this product is subject to the relevant sector concentration risk.***
- ***There would be potential escalation of costs that are associated with derivatives and are internalised by the product, such as swap fees.***
- ***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:	3537
Trading lot size:	100 Units
Fund Manager:	CSOP Asset Management Limited
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Custodian:	The Hongkong and Shanghai Banking Corporation Limited
Base currency:	US Dollar ("USD")
Trading currency:	Hong Kong Dollar ("HKD")
Ongoing charges over a year:	Estimated to be 1.8% #
Dividend policy:	Monthly subject to the Manager's discretion. Distributions may be paid out of capital or effectively out of capital and reduce the Sub-Fund's Net Asset Value ("NAV"). However, there is no guarantee of regular distribution nor the amount being distributed (if any). Distributions will be paid in HKD.
Financial year end of this fund:	31 December
ETF website:	https://www.csopasset.com/en/products/hk-ckcc (this website has not been reviewed by the Securities and Futures Commission (the "SFC"))

As the Sub-Fund (as defined below) is newly set up, this figure is a best estimate only and represents the sum of the estimated ongoing charges over a 12-month period, expressed as a percentage of the estimated average NAV over the same period. It may be different upon actual operation of the Sub-Fund and may vary from year to year. The ongoing charges figure does not include the fees related to the FDIs (as defined below) (including swaps) entered into by the Sub-Fund. For the first 12-month period from the launch of the Sub-Fund, the ongoing charges figure is capped at 2.00% of the average NAV of the Sub-Fund. Any ongoing expenses exceeding 2.00% of the average NAV of the Sub-Fund during this period will be borne by the Manager and will not be charged to the Sub-Fund.

What is this product?

The CSOP KOSPI 200 Covered Call Active ETF* (*This is a synthetic ETF) (the “**Sub-Fund**”) is a sub-fund of the CSOP ETF Series* (*This includes synthetic ETFs) (the “**Trust**”), which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is an actively managed exchange traded fund authorised under Chapter 8.8 and 8.10 of the Code on Unit Trusts and Mutual Funds (the “**Code**”). The units of the Sub-Fund (the “**Units**”) are traded on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) like stocks. The Sub-Fund is denominated in USD.

The Sub-Fund is a synthetic ETF and seeks exposure to the KOSPI 200 Index coupled with a covered call strategy (as explained below) through financial derivative instruments (“FDIs”).

Objectives and Investment Strategy

Objective

The investment objective of the Sub-Fund is to generate income and maintain prospects for capital appreciation while mitigating some downside risk through the use of covered call strategy. It should be noted that the use of covered call strategy also limits potential upside.

Investment Strategy

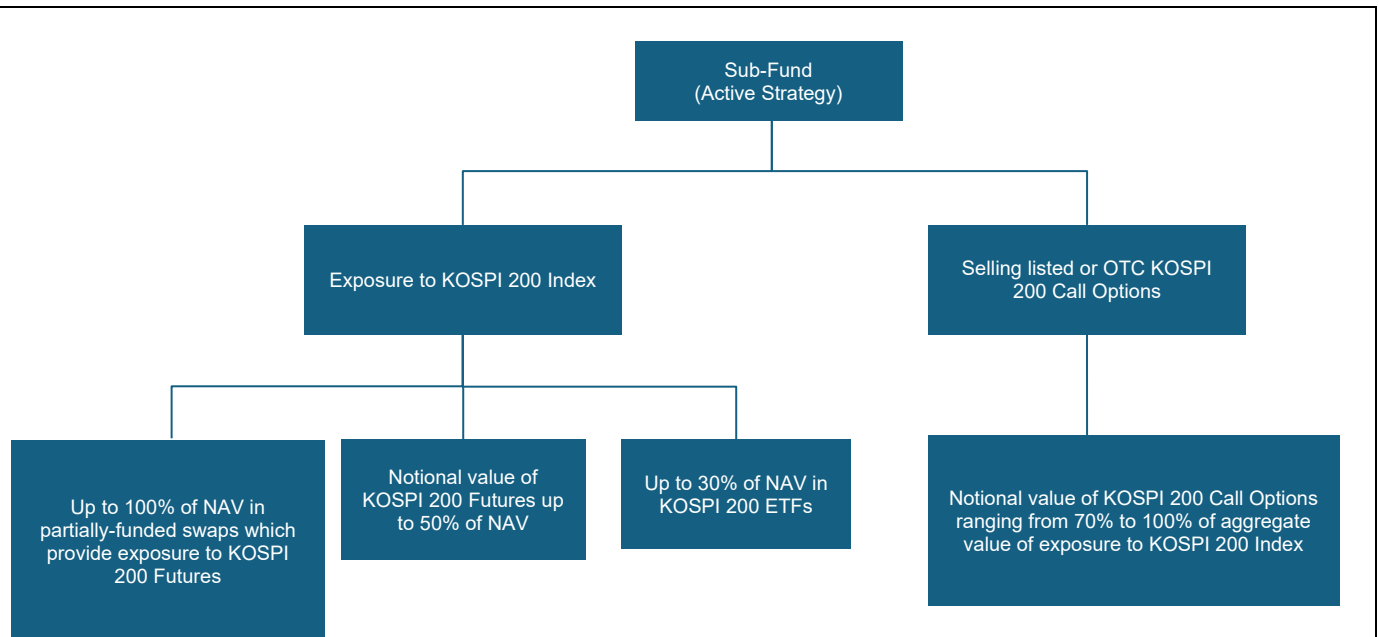
The Sub-Fund seeks to achieve its investment objective by primarily (i) using a synthetic representative sampling strategy to obtain an exposure to the KOSPI 200 Index (the “**Reference Index**”) through KOSPI 200 Futures (as defined below) as discussed below; and (ii) selling (i.e. “writing”) call options on the Reference Index to receive payments of money from the purchaser of call options (i.e. “premium”). The Sub-Fund will obtain exposure to the Reference Index through:

- (i) using a synthetic representative sampling strategy by investing up to 100% of its NAV in financial derivative instruments (“**FDIs**”), which will be partially-funded swaps with more than one counterparties to provide the Sub-Fund with an exposure to the KOSPI 200 Futures (as defined below);
- (ii) investing in long positions of front-quarter¹ KOSPI 200 futures contracts and/or front-month¹ mini-KOSPI 200 futures contracts (collectively, the “**KOSPI 200 Futures**”) listed on the Korea Exchange (the “**KRX**”) with notional value of up to 50% of its NAV. The Sub-Fund may also hold back-quarter or back-month¹ KOSPI 200 Futures (as the case may be) when the Manager rolls the KOSPI 200 Futures prior to expiration; and/or
- (iii) The Sub-Fund may also invest up to 30% of its NAV in exchange traded funds that track the performance of the Reference Index (the “**KOSPI 200 ETF**”), which are either authorised by the SFC or eligible schemes under Chapter 7.11A of the Code.

The Sub-Fund will also adopt a covered call strategy which involves writing listed or over-the-counter (“**OTC**”) call options on the Reference Index (the “**KOSPI 200 Call Options**”) with notional value ranging from 70% to 100% of the aggregate value of the Sub-Fund’s exposure to the Reference Index (the “**Covered Call Exposure**”). The KOSPI 200 Call Options are cash-settled and European-style options that are exercisable only at expiry.

The diagram below shows the main investment strategies of the Sub-Fund:

¹ “Front-quarter” and “front-month” KOSPI 200 Futures are quarterly and monthly contracts with the shortest time to maturity respectively. “Back-month” KOSPI 200 Futures or KOSPI 200 Call Options are those with longer time to maturity.



Details of the synthetic representative sampling strategy

Synthetic replication using swaps

By adopting a synthetic representative sampling strategy, the Sub-Fund will enter into more than one partially-funded swaps (which are over-the counter financial derivative instruments entered into with more than one swap counterparty whereby the Sub-Fund will provide a portion of the net proceeds from subscription from the issue of the Units as initial margin (“**Initial Amount**”) to the swap counterparty which will be held by the Custodian appointed by the Trustee in segregated accounts and will only be transferred to the swap counterparty when the Sub-Fund defaults and in return the swap counterparty will provide the Sub-Fund with an exposure to the KOSPI 200 Futures (net of transaction costs) (“**KOSPI 200 Swaps**”).

Initial Amount

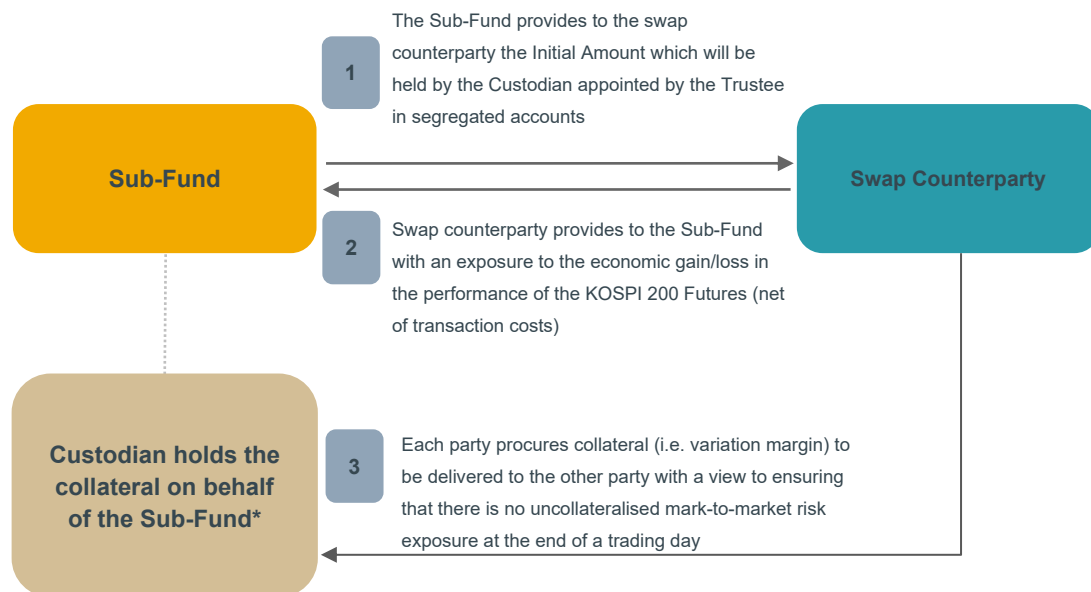
No more than 40% of the NAV of the Sub-Fund from time to time will be used as Initial Amount by way of cash and listed units of money market funds authorised by the SFC to acquire the swaps. Under exceptional circumstances (e.g. increased Initial Amount requirement by the swap counterparty in extreme market turbulence), the Initial Amount requirement may increase substantially. The Initial Amount will be transferred to the Sub-Fund's Custodian appointed by the Trustee who will hold the amount for the Sub-Fund in designated accounts, and the swap counterparty will have a security interest over the Initial Amount (and the relevant accounts) upon such transfer. There is no transfer of legal title, and the Initial Amount remains with the Sub-Fund, but a security interest will be created thereupon in favour of the swap counterparty.

Counterparty exposure

To collateralise the mark-to-market exposure under the relevant swap, additional amounts will be transferred as variation margin (either by the Sub-Fund to the swap counterparty or vice versa) on each business day during the swap transaction. Such variation margin will be transferred by way of title transfer, or by way of a security interest with a right of use (analogous to title transfer) granted thereon. During this process, the Manager will manage the Sub-Fund to ensure that the collateral held by the Sub-Fund will represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis, with a view to ensuring that there is no uncollateralised counterparty risk exposure at the end of a trading day (subject to intra-day price movements, market risk and settlement risk etc.). If the collateral held by the Sub-Fund is not at least 100% of the Sub-Fund's gross total counterparty risk exposure in respect of any trading day T, by the end of that trading day T, the Manager will generally require that each swap counterparty deliver additional collateral assets (i.e. variation margin) to make up for the difference in value, with the settlement of such delivery expected to occur on or before trading day T+2.

Each swap counterparty will deliver collateral with a view to reduce the net exposure of the Sub-Fund to each swap counterparty to 0%, although a minimum transfer amount of up to USD 250,000 (or currency equivalent) will be applicable.

The diagram below shows how the swap-based synthetic representative investment strategy works:



* The Initial Amount will be held by the Custodian in segregated accounts subject to security interest.

Criteria for selection of swap counterparty

In selecting a swap counterparty (or a replacement swap counterparty), the Manager will have regard to a number of criteria, including but not limited to the fact that the prospective swap counterparty or its guarantor is a substantial financial institution (as defined under the Code) subject to an on-going prudential and regulatory supervision, or such other entity acceptable to the SFC under the Code. The Manager may also impose such other selection criteria as it considers appropriate. A swap counterparty must be independent of the Manager. A prudent haircut policy will be adopted.

Swap fees

The Sub-Fund will bear the swap fees, which includes all costs associated with swap transactions and are subject to the discussion and consensus between the Manager and the swap counterparty based on the actual market circumstances on a case-by-case basis. The swap fees represent a variable spread (which can be positive or negative) plus South Korean Base Rate Daily² ("KOCRD") which reflects the brokerage commission and the swap counterparty's costs of financing the underlying hedge in order to provide the performance of the KOSPI 200 Futures.

If the swap fee (KOCRD plus spread) is a positive figure, then it will be borne by the Sub-Fund and may have an adverse impact on its NAV and the performance of the Sub-Fund. On the contrary, if the swap fee (KOCRD plus spread) is a negative figure, the swap counterparty will pay the swap fee to the Sub-Fund and may lead to a positive impact on the performance of the Sub-Fund (currently the swap fees are expected to range from 0.00% to 3.00% per annum of the swap notional amount, i.e. 0.00% to 3.00% per annum of the Sub-Fund's NAV. This is a best estimate only and may deviate from the actual market conditions). In extreme market conditions and exceptional circumstances, the brokerage commission and the swap counterparty's costs of financing the underlying hedge may increase significantly and in return increase the swap fees. When the actual swap fee level exceeds the disclosed level, the Manager will issue notice to the investors. The Sub-Fund shall bear the swap fees (including any costs associated with the entering into, or unwinding or maintenance of, any hedging arrangements in respect of such swaps). Swap fees are accrued daily and

² The Bank of Korea Base Rate is the reference policy rate applied in transactions between the Bank of Korea and financial institutions, such as repurchase agreements (RPs) and the Bank's liquidity adjustment deposits and loans. It is called the Base Rate for short.

spread out over the month. The maximum unwinding fee payable by the Sub-Fund is 50bps per transaction on the notional amount of the swap unwound.

The Manager will disclose the swap fees in the semi-annual and annual financial reports of the Sub-Fund. The swap fees will be borne by the Sub-Fund and hence may have an adverse impact on the NAV and the performance of the Sub-Fund.

Details of the option strategy

Creation/subscription of units

When there will be an increase in the number of Units due to creation/subscription of Units, the Sub-Fund may have to write additional KOSPI 200 Call Options in order to maintain the Covered Call Exposure. The Sub-Fund may seek to write additional KOSPI 200 Call Options with the same specified exercise price (i.e. “strike price”) and expiration date as the existing KOSPI 200 Call Options that have been written. Depending on the latest level of the Reference Index, the additional KOSPI 200 Call Options to be written can be in-the-money, at-the-money or out-of-the-money³. The Sub-Fund may also write additional KOSPI 200 Call Options with strike price and expiration date different from the existing KOSPI 200 Call Options that have been written.

Rolling of KOSPI 200 Call Options

When existing KOSPI 200 Call Options written by the Sub-Fund expire, the Sub-Fund seeks to write front-month¹ at-the-money or out-of-the-money KOSPI 200 Call Options to maintain the Covered Call Exposure. It is the intention of the Sub-Fund to write at-the-money or out-of-the-money KOSPI 200 Call Options when existing KOSPI 200 Call Options written by the Sub-Fund expire as the Sub-Fund aims to receive higher levels of premium. The Sub-Fund may also write back-month KOSPI 200 Call Options.

The Manager may also “roll” the KOSPI 200 Call Options prior to expiration (i.e. closing an existing KOSPI 200 Call Option which is about to expire and write another KOSPI 200 Call Option with a later expiration date). There is no guarantee that such rolling strategy will produce the desired results.

The Sub-Fund may also write weekly KOSPI 200 Call Options (only out-of-the-money), which are weekly contracts expiring at the next Monday/Thursday following each week.

Key considerations for writing or rolling call options

In determining whether to write KOSPI 200 Call Options with different features as noted above (i.e. additional KOSPI 200 Call Options with strike price and expiration date different from the existing KOSPI 200 Call Options that have been written; back-month KOSPI 200 Call Options; or weekly out-of-the-money KOSPI 200 Call Options) and in determining whether to roll KOSPI 200 Call Options prior to expiration, factors that are considered includes, but are not limited to, liquidity and bid-ask spread of the KOSPI 200 Call Options, premium of the KOSPI 200 Call Options as well as the potential risks of writing or rolling the KOSPI 200 Call Options (taking into account, among other things, the market situation such as the recent market developments or short-term shocks that could impact the stock market and the volatility of the Reference Index), as well as whether such rolling is in the best interest of the investors.

Restriction on strike price

The strike price of the in-the-money KOSPI 200 Call Options written by the Sub-Fund will be capped at 30% below the index level of the Reference Index when written, whereas the strike price of the out-of-the-money KOSPI 200 Call Options written by the Sub-Fund will be capped at 30% above the index level of the Reference Index when written. The tenor of the KOSPI 200 Call Options shall not exceed one year when they are written by the Sub-Fund.

³ Moneyness is a term to describe whether an option is “in-the-money”, “at-the-money” or “out-of-the-money”. An “in-the-money” call option is a call option with a strike price that is below the current market price of the underlying asset (i.e. the latest level of the Reference Index in the case of the Sub-Fund). A call option is “at-the-money” if it has a strike price which is at or very near to the current market price of the underlying asset, and a call option is “out-of-the-money” if it has a strike price which exceeds the current market price of the underlying asset.

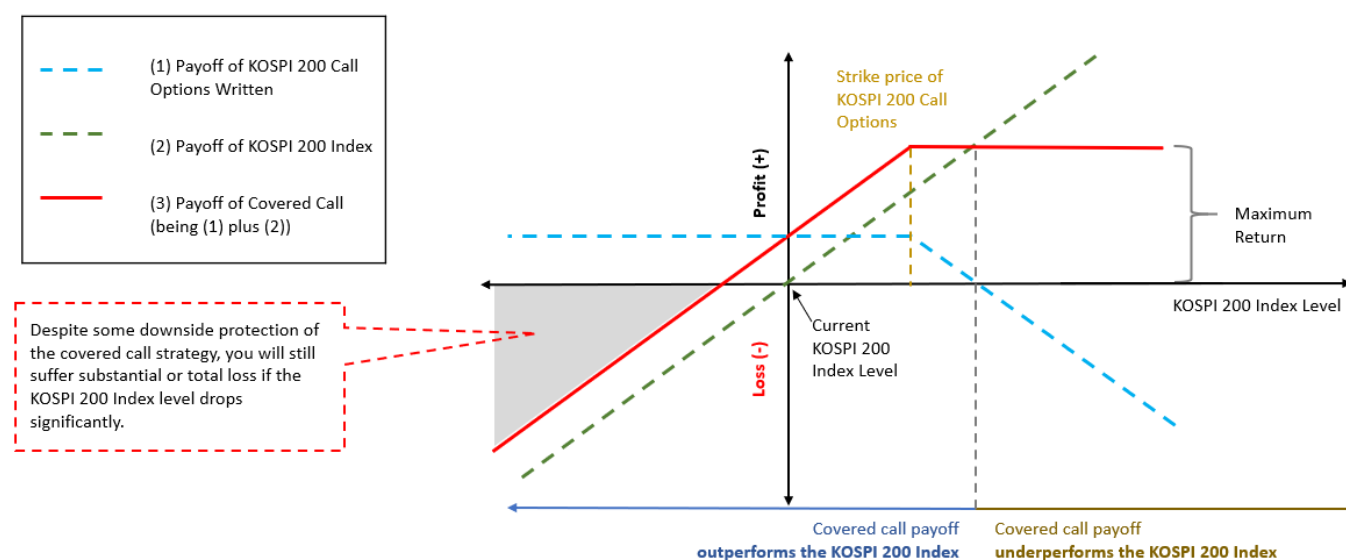
The moneyness of an option will affect the likelihood of the option being exercised. An “in-the-money” call option is likely to be exercised by the purchaser at expiry in order to make a profit from the favourable price difference between the strike price and the market price of the underlying asset, whereas the likelihood of exercise for an “at-the-money” call is relatively lower. An “out-of-the-money” call option has no intrinsic value and is not likely to be exercised at expiry.

Advantages and disadvantages of adopting a covered call strategy

The objective of adopting a covered call strategy is to generate income and reduce potential loss against the downward market. Each time the Sub-Fund writes a KOSPI 200 Call Option, the Sub-Fund receives a premium. If the value of the Sub-Fund's exposure to the Reference Index declines, the premium that the Sub-Fund received for writing the KOSPI 200 Call Option may reduce such loss to some extent.

However, the downside of adopting a covered call strategy is that the Sub-Fund's opportunity to profit from an increase in the level of the Reference Index is limited to the strike price of the KOSPI 200 Call Options written, plus the premium received. In return for the premium, the Sub-Fund gives the purchaser of the KOSPI 200 Call Options the right to receive a cash payment equal to any positive difference between the level of the Reference Index and the strike price of the KOSPI 200 Call Options at expiry (the "cash payment at expiry"). Insofar as the Sub-Fund's Covered Call Exposure is concerned, during the tenor of the KOSPI 200 Call Options, the Sub-Fund may not be able to benefit from any potential increases in the value of the Reference Index above the strike price of the KOSPI 200 Call Options (however, the Sub-Fund may still be benefited from potential increases in the value of the Reference Index above the strike price of the KOSPI 200 Call Options for the Sub-Fund's exposure to the Reference Index that exceeds the notional value of the KOSPI 200 Call Options written).

The payoff of a covered call strategy in comparison with the KOSPI 200 is illustrated in the following diagram:



The covered call strategy outperforms the KOSPI 200 when the current price of the KOSPI 200 is less than the sum of the strike price and the call option premium and underperforms the KOSPI 200 when the current price of the KOSPI 200 is more than the sum of the strike price and the call option premium.

As the Sub-Fund seeks to write covered KOSPI 200 Call Options to maintain the Covered Call Exposure, its ability to benefit from capital appreciation of the Reference Index is limited as a result. Please refer to the risk factor "Covered call option writing risk" below for further details.

For the avoidance of doubt, the Sub-Fund does not seek to track the Reference Index given its covered call strategy.

Margin requirements and other investments

In acquiring the KOSPI 200 Futures and selling the KOSPI 200 Call Options, the Manager anticipates that not more than 25% of the NAV of the Sub-Fund will be used as margin from time to time. Under exceptional circumstances (for instance, when there is increased margin requirement by the KRX and/or brokers in extreme market turbulence), the margin exposure may increase substantially beyond 25% of the NAV of the Sub-Fund.

Not less than 30% of the NAV of the Sub-Fund (this percentage may be reduced proportionately under exceptional circumstances where there is a higher Initial Amount / margin requirement as described above) will be invested in cash (HKD or USD) and other HKD or USD denominated investment products, such as deposits with banks in Hong Kong and HKD or USD denominated short-term (i.e. maturity less than 3 years)

investment-grade bonds and money market funds (which are authorised under Chapter 8.2 of the Code or eligible schemes under Chapter 7.11A of the Code) in accordance with the requirements of the Code.

The Manager currently has no intention to enter into sale and repurchase transactions, reverse repurchase transactions, securities lending transactions or other similar OTC transactions on behalf of the Sub-Fund.

Please refer to <https://www.csopasset.com/en/products/hk-ckcc> (this website has not been reviewed by the SFC) for more information on the Sub-Fund's covered call strategy and the KOSPI 200 Call Options written by the Sub-Fund.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be more than 50% but up to 100% of the Sub-Fund's NAV.

What are the key risks?

Investment involves risks. You may suffer substantial / total loss by investing in this Sub-Fund. Please refer to the Prospectus for details including the risk factors.

1. Investment risk

- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.

2. Active investment management risk

- The Sub-Fund employs an actively managed investment strategy. In addition to seeking to obtain exposure to the constituent equity securities in the Reference Index in substantially the same weightings as these securities have in the Reference Index through investing in long positions of KOSPI Swaps, KOSPI 200 Futures and KOSPI 200 ETFs, the Sub-Fund also writes call options on the Reference Index.
- For the avoidance of doubt, the Sub-Fund does not seek to track any index or benchmark (including the Reference Index), and there is no replication or representative sampling conducted by the Manager. The Sub-Fund may fail to meet its objective as a result of the Manager's selection of investments, and/or the implementation of processes which may cause the Sub-Fund to underperform as compared to direct investments in the constituent equity securities of the Reference Index.

3. Covered call option writing risk

- The Sub-Fund adopts a covered call strategy which involves writing call options on the Reference Index. A covered call strategy offers some downside protection but limits potential upside. Notwithstanding the downside protection of a covered call strategy, you will still suffer substantial or total loss if the KOSPI 200 index level drops significantly.
- The market value of a KOSPI 200 Call Option may be affected by an array of factors including but not limited to supply and demand, interest rates, the current market price of the Reference Index in relation to the strike price of the KOSPI 200 Call Options, the actual or perceived volatility of the Reference Index and the time remaining until the expiration date. The Sub-Fund's ability to utilise KOSPI 200 Call Options successfully will depend on the ability of the Manager to correctly predict future price fluctuations, which cannot be assured and are subject to market behaviour or unexpected events.
- In writing the covered KOSPI 200 Call Options, the Sub-Fund will receive a premium from purchasers and the premium income will vary depending on different factors. However, in the case of an increase in the market price of the constituent equity securities of the Reference Index, the Sub-Fund's opportunity to profit from such an increase is limited to the strike price of the KOSPI 200 Call Options. In the event that the level of the Reference Index is on a continuous rise, the exercise of written KOSPI 200 Call Options by purchasers could result in the Sub-Fund's existing long positions in KOSPI 200 Swaps, KOSPI 200 Futures and/or KOSPI 200 ETF being liquidated for settlement of cash payment at expiry of KOSPI 200 Call Options, and subsequent long positions would need to be re-established at a higher market level, thereby limiting the quantity of KOSPI 200 Swaps, KOSPI 200 Futures and/or KOSPI 200 ETF in which the Sub-Fund will be able to invest and accordingly, the quantity of the KOSPI 200 Call Options which may be written by the Sub-Fund will also decrease.

- On the other hand, the Sub-Fund will take an underlying long position in KOSPI 200 Swaps, KOSPI 200 Futures and KOSPI 200 ETF and, as the writer of the KOSPI 200 Call Options which are covered by the underlying long positions, the Sub-Fund will continue to bear the risk of declines in the market value of the Reference Index. If a KOSPI 200 Call Option expires and if there is a decline in the market value of the Reference Index during the option period, the premiums received by the Sub-Fund from writing the KOSPI 200 Call Options may not be sufficient to offset the loss realised.
- In addition, the Sub-Fund's ability to sell the KOSPI 200 Swaps, KOSPI 200 Futures and/or KOSPI 200 ETF underlying the KOSPI 200 Call Options will be limited in order to maintain the Covered Call Exposure unless the Sub-Fund cancels out its short positions in the written KOSPI 200 Call Options by purchasing offsetting identical KOSPI 200 Call Options prior to their expiry. There is no guarantee that such offsetting identical KOSPI 200 Call Options will be available on terms favourable to the Sub-Fund or at all. Even if the Sub-Fund is able to cancel out its short positions in the written KOSPI 200 Call Options in the manner as aforementioned, the Sub-Fund may still sustain a loss in selling the underlying KOSPI 200 Swaps, KOSPI 200 Futures and/or KOSPI 200 ETF in the event that the market value of the Reference Index declines.
- Also, the Sub-Fund may write KOSPI 200 Call Options over an exchange or in the OTC market. The KOSPI 200 Call Options in the OTC markets may not be as liquid as exchange-listed options. There may be a limited number of counterparties which are willing to enter into KOSPI 200 Call Options as purchasers or the Sub-Fund may find the terms of such counterparties to be less favorable than the terms available for listed options. Moreover, the KRX may suspend the trading of options in volatile markets. If trading is suspended, the Sub-Fund may not be able to write KOSPI 200 Call Options at times that may be desirable or advantageous to do so.

4. Equity market risk

- The Sub-Fund's exposure to 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.

5. Risks associated with investment in FDIs

- The Sub-Fund invests up to 100% of its NAV in FDIs (partially-funded swaps) through more than one swap counterparty(ies). As such, the Sub-Fund may suffer significant loss if a swap counterparty fails to perform its obligations, or in case of insolvency or default of the swap counterparty(ies).
- Risks associated with FDIs include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. FDIs are susceptible to price fluctuations and higher volatility, and may have large bid and offer spreads and no active secondary markets. The leverage element/component of an FDI can result in a loss significantly greater than the amount invested in the FDI by the Sub-Fund. Exposure to FDIs may lead to a high risk of significant loss by the Sub-Fund.

6. Synthetic replication and swap counterparty risk

- ***Under-collateralisation risk*** – The Manager seeks to mitigate the counterparty risks by fully collateralising all swap counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so the Sub-Fund may suffer significant losses. Any loss would result in a reduction in the NAV of the Sub-Fund and impair the ability of the Sub-Fund to achieve its investment objective.

The Sub-Fund may suffer significant losses if the swap counterparty fails to perform its obligations under the funded swap. The value of the collateral assets may be affected by market events and may diverge substantially from the performance of the Reference Index, which may cause the Sub-Fund's exposure to the swap counterparty to be under-collateralised and therefore result in significant losses.

- ***Default risk*** – The Sub-Fund seeks to obtain the required exposure through swaps with more than one swap counterparty. The Sub-Fund is therefore exposed to counterparty risk and default risk of the swap counterparties and may suffer significant losses if a swap counterparty fails to perform its obligations. FDIs are susceptible to price fluctuations and higher volatility, which may result in large bid and offer

spreads with no active secondary market. The Sub-Fund may suffer losses potentially equal to the full value of the FDIs.

- ***Intra-day counterparty risk*** – The Manager will manage the Sub-Fund to ensure that the collateral held by the Sub-Fund will represent at least 100% of the Sub-Fund's gross total counterparty risk exposure and be maintained, marked-to-market on a daily basis, with a view to ensuring that there is no uncollateralised counterparty risk exposure at the end of a trading day. If the collateral held by the Sub-Fund is not at least 100% of the Sub-Fund's gross total counterparty risk exposure in respect of any trading day T, by the end of that trading day T, the Manager will generally require that each swap counterparty deliver additional collateral assets to make up for the difference in value, with the settlement of such delivery expected to occur on or before trading day T+2. Despite the counterparty risk management measures in place, the management of the Sub-Fund's net exposure to each swap counterparty to zero is subject to settlement risks arising from settlement failures and market risks (including price movements prior to the required cash payment by the swap counterparty to the Sub-Fund). Any delay in the cash payment by the swap counterparty to the Sub-Fund prior to the end of the relevant trading day T+2 may cause the Sub-Fund's exposure to a swap counterparty to be larger than zero from time to time. This may result in significant losses for the Sub-Fund in the event of the insolvency or default of that swap counterparty.
- ***Early termination of swaps risk*** – In some circumstances, a swap counterparty can terminate the swap agreements early which may adversely impact the Sub-Fund's performance. Such early termination can also impair the Sub-Fund's ability to achieve its investment objective and may subject the Sub-Fund to substantial loss. Also, the Sub-Fund may face an increase in the cost to enter into a similar swap agreement with additional swap counterparties.
- ***Change of swap fees risk*** – The Sub-Fund will bear the swap fees, which are subject to the discussion and consensus between the Manager and the swap counterparty based on the actual market circumstances on a case-by-case basis. The current swap fees are a best estimate only and may deviate from the aforesaid estimate depending on actual market conditions. In extreme market conditions and exceptional circumstances, the swap counterparty's costs of financing the underlying hedge may increase significantly and in return cause negative impact on the NAV of the Sub-Fund.
- ***Capacity limit risk*** – The swap counterparty may also be subject to a capacity limit representing the commitment of the swap counterparty to conduct the swap transactions to provide the required exposure to KOSPI 200 Futures for the Sub-Fund. Accordingly, the Sub-Fund's exposure to KOSPI 200 Futures may be affected. Whilst the Manager does not anticipate that this will have any immediate effect on the Sub-Fund, if any swap counterparty reaches its capacity limit or if the NAV of the Sub-Fund grows significantly this may prevent creations of Units due to the inability of the Sub-Fund to conduct swap transactions. This may cause a divergence between the trading price of a Unit on the SEHK and the NAV per Unit and may prevent the Sub-Fund from achieving its investment objective.

7. KOSPI 200 futures contracts risk

- ***Market risk*** – The use of futures contracts involves risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets. Although the KOSPI 200 Futures market is relatively developed, the Sub-Fund is subject to a potential risk that it may not be able to terminate or sell positions. A liquid secondary market may not always exist for the Sub-Fund's positions at times when the Sub-Fund wishes to terminate or sell such positions.
- ***Volatility risk*** – The price of KOSPI 200 Futures can be highly volatile and is influenced by, among others, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and changing investor confidence in future fluctuations in the price of the Reference Index.
- ***Leverage risk*** – Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in KOSPI 200 Futures may result in a proportionally high impact and substantial losses to the Sub-Fund, having a material adverse effect on the NAV. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested by the Sub-Fund.
- ***Margin requirement risk*** – Investing in KOSPI 200 Futures and writing KOSPI 200 Call Options generally involve the posting of margin. Additional funds may need to be posted as margin to meet margin calls

based upon daily marking to market of the KOSPI 200 Futures and the KOSPI 200 Call Options. Increases in the amount of margin or similar payments may result in the need for the Sub-Fund to liquidate its investments at unfavourable prices in order to meet margin calls. If the Sub-Fund is unable to meet its investment objective as a result of margin requirements imposed by the KRX and/or the Sub-Fund's futures broker, the Sub-Fund may experience significant losses, which may exceed the amount of the Sub-Fund's initial investment, and the investors may suffer substantial or total loss of their own investments.

- **Negative roll yields and “contango” market risk** – Excluding other considerations, if the market for KOSPI 200 Futures is in a “contango” market, i.e. the prices are higher in the distant delivery months than in the nearer delivery months, the sale of the KOSPI 200 Futures would take place at a price that is lower than the price of the contract which such KOSPI 200 Futures will be rolled to. Accordingly, sale proceeds from selling existing KOSPI 200 Futures when rolling will not be sufficient to purchase the same number of contracts with later expiration date which have a higher price, thereby creating a negative “roll yield”.

By contrast, if the market for these contracts is in “backwardation”, i.e. the prices of the KOSPI 200 Futures with later expiration dates are lower than the prices of KOSPI 200 Futures with earlier expiration dates, the sale of the current contracts would take place at a price that is higher than the price of the contracts with later expiration date, thereby creating a positive “roll yield”.

Contango or backwardation could last for an undetermined period of time. The presence of contango in the market for KOSPI 200 Futures could result in negative “roll yields,” which could adversely affect the NAV of the Sub-Fund. The impact of contango on the Sub-Fund's performance may be greater than it would have been if the Sub-Fund rolled KOSPI 200 Futures less frequently. Investors should note that save for the transaction cost incurred, “rolling” in itself is not a loss or return-generating event. The roll yield is typically realised over time.

- **KOSPI 200 Futures position limit risk** – 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 Sub-Fund) but controlled by the Manager, may not in aggregate exceed the relevant limits under the KRX's Derivatives Market Business Regulation and Enforcement Rules thereof (the “**Regulation and Rules**”).

Accordingly, if the position held or controlled by the Manager reaches the relevant position limit or if the NAV of the Sub-Fund grows significantly, the restrictions under the Regulations and Rules may prevent creations of additional Units due to the inability of the Sub-Fund to acquire further KOSPI 200 Futures. This may cause a divergence between the trading price of a Unit on the SEHK and the NAV per Unit. In the event that the relevant position limit is reached or is closed to being reached, the Manager will evaluate its existing positions and consider partially or fully closing out certain positions, or obtain exposure to the Reference Index through investment in KOSPI 200 Swaps or KOSPI 200 ETF.

- **Failure of clearing house risk** – KOSPI 200 Futures and KOSPI 200 Call Options are registered, cleared and guaranteed by the KRX. In the event of the bankruptcy of the clearing house, the Sub-Fund could be exposed to a risk of loss with respect to its assets that are posted as margin. If such a bankruptcy were to occur, the Sub-Fund would be afforded the protections granted to participants to transactions cleared through a clearing house under applicable laws. Such provisions generally provide for a pro rata distribution to customers of customer property held by the bankrupt clearing house if the clearing house is insufficient to satisfy all customer claims. In any case, there can be no assurance that these protections will be effective in allowing the Sub-Fund to recover all, or even any, of the amounts it has deposited as margin.

8. **Risk of material non-correlation between KOSPI 200 Futures and the Reference Index**

- The Sub-Fund seeks exposure to the Reference Index through KOSPI 200 Futures (directly in KOSPI 200 Futures, and via swaps which provide exposure to KOSPI 200 Futures). However, there may be imperfect correlation between the value of the Reference Index and the KOSPI 200 Futures, which may prevent the Sub-Fund from achieving its investment objective.

9. **Korean market risk**

- Investors should be aware of the potential market risks associated with trading in the Korean market. In particular, the Korean market is subject to high volatility as a result of high retail trading participation (which can contribute to faster shift in market sentiment and more pronounced short-term price movements), as

well as sudden regulatory shifts and shifts in market sentiment. Furthermore, Korean stocks have historically traded at lower valuations compared to global peers due to concerns over corporate governance and prevalence of family-controlled conglomerates, as well as geopolitical risks.

- Trading in the Korean market is also subject to circuit breakers and daily price limits. The KRX has mechanisms such as circuit breakers or daily limit up/down rules that may have possibilities to lead to a market halt, resulting in the suspension of trading activities for the day. These interruptions can affect the normal operation of the Sub-Fund, thereby impacting its ability to achieve the targeted exposure levels to the Reference Index.

10. Geographical concentration risk

- The Sub-Fund's investments are concentrated in Korea. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Korean market.

11. Sector concentration risk

- The constituents of the Reference Index may from time to time be concentrated in companies in a particular sector. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the relevant sector. In particular, the top two constituents of the Reference Index (i.e. Samsung Electronics Co., Ltd. and SK Hynix Inc.) are concentrated in the technology sector.
- *Technology theme risks:* Many of the companies in the technology sector have a relatively short operating history. Companies in the technology sector are often characterised by relatively higher volatility in price performance when compared to other economic sectors. In this regard, the Reference Index may be subject to particularly high volatility as it is heavily concentrated in its top two constituents, which are both of the technology sector. Companies in the technology sector also face intense competition, and there may also be substantial government intervention, which may have an adverse effect on profit margins. Rapid changes could render obsolete the products and services offered by these companies. These companies are also subject to cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.
- *Electronics and technology hardware industry risks:* Electronics and technology hardware companies can be significantly affected by cyclical market patterns, rapid product obsolescence, frequent new product introductions, evolving industry standards, competitive pressures, aggressive pricing, technological developments, changing domestic demand, the ability to attract and retain skilled employees and availability and price of components. In addition, many technology hardware companies rely on a combination of patents, copyrights, trademarks and trade secret laws to establish and protect their proprietary rights in their products and technologies.
- *Semiconductor company risks:* The risks of investments in the semiconductor sector industry include intense competition, both domestically and internationally, such as competition from subsidized foreign competitors with lower production costs; risks of rapid obsolescence of products; economic performance of the customers of semiconductor companies (such as the artificial intelligence industry and information technology infrastructure); and rapidly changing product and market demands. The stock prices of semiconductor companies have been and likely will continue to be extremely volatile.

12. Risks of investing in other collective investment schemes

- The Sub-Fund may invest in other collective investment schemes and will be subject to the risks associated with the underlying funds. The Sub-Fund does not have control of the investments of the underlying funds and there is no assurance that the investment objective and strategy of the underlying funds will be successfully achieved which may have a negative impact to the NAV of the Sub-Fund.
- If the Sub-Fund invests in other active or passive investment products managed by the Manager or Connected Person of the Manager, all initial charges and redemption charges on these listed or unlisted funds must be waived, and the Manager must not obtain rebate of any fees or charges levied by these funds or any quantifiable monetary benefits in connection with investments in these funds. In case any

conflicts of interest may still arise out of such investments, the Manager will use its best endeavours to resolve it fairly.

13. Trading risk

- 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 Sub-Fund's NAV. Investors should pay attention to the bid-ask spread of the Units and refer to the intra-day indicative NAV published on the Sub-Fund's website to assess whether the trading price is reasonable.
- 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 NAV per Unit when buying Units on the SEHK, and may receive less than the NAV per Unit when selling Units on the SEHK.
- In addition, under extreme market conditions, the trading price of the Units may fall to a very low nominal level. In such circumstances, the bid-ask spreads of the Sub-Fund may widen significantly, trading liquidity may deteriorate, and market makers may face practical difficulties or be unable to fulfil their market making obligations. The trading price may reach the price floor of 0.01 (of any available currency unit). Where this occurs, the secondary market trading price of the Units may not be able to fully reflect movements in the NAV or indicative NAV of the Sub-Fund, and the Units may trade at prices that deviate materially from their respective NAV. Investors should exercise caution when trading the Units in the secondary market and should consider the latest available NAV, indicative NAV, trading price, bid-ask spread and liquidity of the Sub-Fund before making any investment decision.

14. Trading differences risk

- As the KRX 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 the Units. Differences in trading hours between the KRX and the SEHK may also increase the level of premium or discount of the Unit price to its NAV.
- While shares listed on the KRX are subject to trading bands, circuit breakers and daily price limits which restrict increases and decreases in the trading price, and may impact or halt normal trading, Units of the Sub-Fund listed on the SEHK are not. This difference may also increase the level of premium or discount of the Unit price to its NAV.

15. Reliance on market makers risk

- 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 that at least one market maker 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 also no guarantee that any market making activity will be effective.

16. Risk of early termination

- The Sub-Fund may be terminated early under certain circumstances, for example, where the size of the Sub-Fund falls below HKD 100 million. Investors may not be able to recover their investments and may suffer a loss when the Sub-Fund is terminated.

17. Risk relating to distributions paid out of capital

- Payment of dividends out of capital or effectively out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions involving payment of dividends out of capital or effectively out of capital of the Sub-Fund may result in an immediate reduction of the NAV per Unit of the Sub-Fund.

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 full amount of money you invest.

What are the fees and charges?

Charges incurred when trading the Sub-Fund on the SEHK

Fee	What you pay
Brokerage fee	At market rates ⁴
Transaction levy	0.0027% ⁵
Accounting and Financial Reporting Council ("AFRC") transaction levy	0.00015% ⁶
Trading fee	0.00565% ⁷
Stamp duty	Nil

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 NAV of the Sub-Fund which may affect the trading price.

	<u>Annual rate (as a % of the Sub-Fund's NAV)</u>
Management fee*	0.99% per annum
Trustee fee* (inclusive of fees payable to the Custodian)	Included in the Management fee
Registrar fee	Included in the Management fee
Performance fee	Nil
Other ongoing charges	Please refer to Part 2 of the Prospectus.

** Please note that some fees may be increased up to a permitted maximum amount by providing one month's prior notice to Unitholders. Please refer to the section headed "Fees and Charges" in Part 1 of the Prospectus for details.*

Other fees

You may have to pay other fees when dealing in the Units of the Sub-Fund. Please refer to the Prospectus for details.

Additional Information

The Manager will publish important news and information in respect of the Sub-Fund, both in English and Chinese language at the following website <https://www.csopasset.com/en/products/hk-ckcc> (this website has not been reviewed by the SFC), including:

- the Prospectus and this statement (as amended and supplemented from time to time);
- the latest annual and semi-annual financial reports (in English only);

⁴ The brokerage fee is payable in the currency decided by the intermediaries used by the buyer and the seller.

⁵ Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.

⁶ AFRC transaction levy of 0.00015% of the trading price of the Units, payable by each of the buyer and the seller.

⁷ Trading fee of 0.00565% of the trading price of the Units, payable by each of the buyer and the seller.

- any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund, notices of the suspension of the calculation of NAV, changes in fees and charges, the suspension and resumption of trading of Units;
- 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 offering documents and constitutive documents of the Sub-Fund;
- the near real-time indicative NAV per Unit of the Sub-Fund updated every 15 seconds during normal trading hours on the SEHK in HKD;
- the last NAV of the Sub-Fund in USD only and the last NAV per Unit of the Sub-Fund in USD and HKD;
- full portfolio information of the Sub-Fund (updated on a monthly basis), including details of the KOSPI 200 Call Options written by the Sub-Fund (in English only);
- the Sub-Fund's gross and net exposure to each swap counterparty (updated on a daily basis);
- pictorial presentation of collateral information by way of pie charts (updated on a weekly basis) showing the following (if applicable): a) a breakdown by asset type, e.g. equity, bond and cash and cash equivalents; b) for equity, further breakdown by (1) primary listing (i.e. stock exchanges), (2) index constituents, and (3) sector; c) for bond, further breakdown by (1) types of bonds, (2) countries of issuers/guarantors, and (3) credit rating;
- top 10 holdings in the collateral (including name, percentage of the Sub-Fund's NAV, type, primary listing for equities, country of issuers, credit rating if applicable) (updated on a weekly basis);
- the list of swap counterparties (including hyperlinks to the websites of swap counterparties and their guarantors (if applicable)) (updated on a weekly basis);
- the overall collateralization level (expressed as a percentage of the Sub-Fund's NAV) (updated on a daily basis);
- the compositions of the dividends (i.e. the relative amounts paid out of net distributable income and capital) for the last 12 months (also available by the Manager on request);
- the latest list of participating dealers and market makers; and
- the past performance information of the Sub-Fund; and
- a "performance simulator" which simulates the performance of the Sub-Fund based on its holdings; and
- additional information on the Sub-Fund's covered call strategy.

The near real-time indicative NAV per Unit in HKD (updated every 15 seconds during SEHK trading hours) and the last NAV per Unit in HKD are indicative and for reference purposes only.

The near real-time indicative NAV per Unit in HKD uses the real-time HKD:USD foreign exchange rate – it is calculated using the near real-time indicative NAV per Unit in USD multiplied by the real-time HKD:USD foreign exchange rate provided by ICE Data Indices when the SEHK is opened for trading. Since the indicative NAV per Unit in USD will not be updated when the underlying securities market is closed, any change in the indicative NAV per Unit in HKD during such period will be solely due to the change in the relevant foreign exchange rate.

The last NAV per Unit in HKD is calculated using the last NAV per Unit in USD multiplied by an assumed foreign exchange rate using the HKD:USD exchange rate quoted by Reuters at 3:00 p.m. (Hong Kong time) as of the same Dealing Day (i.e. Business Day). The official last NAV per Unit in USD and the indicative last NAV per Unit in HKD will not be updated when the underlying securities market is closed.

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.