

Aug 2024

Monthly Commentary

Income ETFs



The Purpose of Mentioning Securities Are Illustrations for
the Market or Industry Commentary Only.
For Hong Kong Investors Only.

Investors should not base investment decisions on this content alone. Please refer to the Prospectus for details including product features and the risk factors. Investment involves risks. Past performance is not indicative of future performance. There is no guarantee of the repayment of the principal. Investors should note:

- **Global X Hang Seng High Dividend Yield ETF's** (the "Fund's") investment in 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.
- There is no assurance that dividends will be declared and paid in respect of the securities comprising the Hang Seng High Dividend Yield Index (the "Index"). Dividend payment rates in respect of such securities will depend on the performance of the companies or REITs of the constituent securities of the Index as well as factors beyond the control of the Manager including but not limited to, the dividend distribution policy of these companies or REITs.
- Whether or not distributions will be made by the Fund is at the discretion of the Manager taking into account various factors and its own distribution policy. There can be no assurance that the distribution yield of the Fund is the same as that of the Index.
- The Manager may at its discretion pay dividend out of the capital or gross income of the fund. Payment of dividends out of capital to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Fund's capital may result in an immediate reduction of the Net Asset Value per Unit.
- The trading price of the Fund's unit (the "Unit") on the Stock Exchange of Hong Kong is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund. The borrower may fail to return the securities in a timely manner or at all. The Fund may suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests.
- The investment objective of **Global X US Treasury 3-5 Year ETF** (the "Fund") is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Mirae Asset US Treasury 3-5 Year Index (the "Underlying Index").
- The Fund is exposed to the Credit/Default risk of issuers of the debt securities that the Fund may invest in; the Credit Rating risk that the credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times; the Downgrading risk that the Manager may or may not be able to dispose of the debt securities that are being downgraded; the Interest rate risk that the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise; the Policy risk that the changes in macro-economic policies in the US may have an influence over the US' capital markets and affect the pricing of the bonds in the Fund's portfolio, which may in turn adversely affect the return of the Fund; the Sovereign debt risk that the Fund's investment in US Treasury securities may be exposed to political, social and economic risks that the Fund may suffer significant losses when there is a default of the US Treasury; the valuation risk that the valuation of the Fund's instruments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the Net Asset Value calculation of the Fund.
- The Underlying Index is a new index. The Underlying Index has minimal operating history by which investors can evaluate its previous performance. There can be no assurance as to the performance of the Underlying Index. The Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Underlying Index is subject to concentration risk as a result of tracking the performance of a single geographical region, namely the US, and is concentrated in debt securities of a single issuer, namely the US Treasury. The Fund's value may be more volatile than that of a fund having a more diverse portfolio and may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US market.
- The base currency of the Fund is USD but the trading currency of the Fund is in HKD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- The borrower may fail to return the securities lent out in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from realisation requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the collateral, adverse market movements in the collateral value or change of value of securities lent. This may cause significant losses to the Fund.
- 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 Fund's Net Asset Value.
- Payments of distributions out of capital and/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 distributions out of capital or effectively out of capital of the Fund may result in an immediate reduction in the Net Asset Value per Unit of the Fund and will reduce the capital available for future investment.
- **Global X HSI Components Covered Call Active ETF** (the "Fund") aims to generate income by primarily investing in constituent equity securities in the Hang Seng Index (the "Reference Index" or the "HSI") and 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 objective of adopting a covered call strategy is to generate income and reduce potential loss against the downward market. Each time the Fund writes a HSI Call Option, the Fund receives a premium. If the value of the securities relating to the Reference Index held by the Fund declines, the premium that the Fund received for writing the HSI Call Option may reduce such loss to some extent. However, the downside of adopting a covered call strategy is that the Fund's opportunity to profit from an increase in the level of the Reference Index is limited to the strike price of the HSI Call Options written, plus the premium received.
- The Fund is an ETF which adopts a covered call strategy by (i) investing in constituent equity securities in the Reference Index and the HSI ETF and long positions of HSI Futures, and (ii) writing call options on the Reference Index. The Fund is one of the first covered call ETFs in Hong Kong. Such novelty makes the Fund riskier than traditional ETFs investing in equity securities.
- The 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 directly in constituent equity securities of the Reference Index and HSI ETF and long positions of HSI Futures, the Fund also writes call options on the Reference Index. The Fund may fail to meet its objective as a result of the implementation of investment process which may cause the Fund to underperform as compared to direct investments in the constituent equity securities of the Reference Index.
- The market value of a HSI 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 HSI Call Options, the actual or perceived volatility of the Reference Index and the time remaining until the expiration date. The Fund's ability to utilise HSI 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.
- If a HSI 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 Fund from writing the HSI Call Options may not be sufficient to offset the loss realised.
- The Fund may write HSI Call Options over an exchange or in the OTC market. The HSI 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 HSI Call Options as purchasers or the Fund may find the terms of such counterparties to be less favorable than the terms available for listed options. Moreover, the SEHK may suspend the trading of options in volatile markets. If trading is suspended, the Fund may not be able to write HSI Call Options at times that may be desirable or advantageous to do so.
- The use of futures contracts involves risks that are potentially greater than the risks of investing directly in securities and other more traditional assets. The risks include but not limited to market risk, volatility risk, leverage risk and negative roll yields and "contango" risk.



- Investing in HSI Futures and writing HSI 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 HSI Futures and the HSI Call Options. Increases in the amount of margin or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin calls. If the Fund is unable to meet its investment objective as a result of margin requirements imposed by the HKFE, the Fund may experience significant losses.
- HSI Futures and HSI Call Options are registered, cleared and guaranteed by the HKFE Clearing Corporation. In the event of the bankruptcy of the clearing house, the Fund could be exposed to a risk of loss with respect to its assets that are posted as margin.
- To the extent that the constituent securities of the Reference Index are concentrated in Hong Kong listed securities of a particular sector or market, the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse conditions in such particular market/sector.
- The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund.
- The base currency of the Fund is HKD but the class currencies of the Shares are in HKD, RMB and USD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- Payments of distributions 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 may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- The trading price of the Fund unit (the "Unit") on the SEHK is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.
- Global X HSI Components Covered Call Active ETF** (the "Fund") aims to generate income by primarily investing in constituent equity securities in the Hang Seng Index (the "Reference Index" or the "HSI") and 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 objective of adopting a covered call strategy is to generate income and reduce potential loss against the downward market. Each time the Fund writes a HSI Call Option, the Fund receives a premium. If the value of the securities relating to the Reference Index held by the Fund declines, the premium that the Fund received for writing the HSI Call Option may reduce such loss to some extent. However, the downside of adopting a covered call strategy is that the Fund's opportunity to profit from an increase in the level of the Reference Index is limited to the strike price of the HSI Call Options written, plus the premium received.
- The Fund is an ETF which adopts a covered call strategy by (i) investing in constituent equity securities in the Reference Index and the HSI ETF and long positions of HSI Futures, and (ii) writing call options on the Reference Index. The Fund is one of the first covered call ETFs in Hong Kong. Such novelty makes the Fund riskier than traditional ETFs investing in equity securities.
- The 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 directly in constituent equity securities of the Reference Index and HSI ETF and long positions of HSI Futures, the Fund also writes call options on the Reference Index. The Fund may fail to meet its objective as a result of the implementation of investment process which may cause the Fund to underperform as compared to direct investments in the constituent equity securities of the Reference Index.
- The market value of a HSI 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 HSI Call Options, the actual or perceived volatility of the Reference Index and the time remaining until the expiration date. The Fund's ability to utilise HSI 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.
- If a HSI 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 Fund from writing the HSI Call Options may not be sufficient to offset the loss realised.
- The Fund may write HSI Call Options over an exchange or in the OTC market. The HSI 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 HSI Call Options as purchasers or the Fund may find the terms of such counterparties to be less favorable than the terms available for listed options. Moreover, the SEHK may suspend the trading of options in volatile markets. If trading is suspended, the Fund may not be able to write HSI Call Options at times that may be desirable or advantageous to do so.
- The use of futures contracts involves risks that are potentially greater than the risks of investing directly in securities and other more traditional assets. The risks include but not limited to market risk, volatility risk, leverage risk and negative roll yields and "contango" risk.
- Investing in HSI Futures and writing HSI 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 HSI Futures and the HSI Call Options. Increases in the amount of margin or similar payments may result in the need for the Fund to liquidate its investments at unfavourable prices in order to meet margin calls. If the Fund is unable to meet its investment objective as a result of margin requirements imposed by the HKFE, the Fund may experience significant losses.
- HSI Futures and HSI Call Options are registered, cleared and guaranteed by the HKFE Clearing Corporation. In the event of the bankruptcy of the clearing house, the Fund could be exposed to a risk of loss with respect to its assets that are posted as margin.
- To the extent that the constituent securities of the Reference Index are concentrated in Hong Kong listed securities of a particular sector or market, the investments of the Fund may be similarly concentrated. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments. The value of the Fund may be more susceptible to adverse conditions in such particular market/sector.
- The borrower may fail to return the securities in a timely manner or at all. The Fund may as a result suffer from a loss or delay when recovering the securities lent out. This may restrict the Fund's ability in meeting delivery or payment obligations from redemption requests. As part of the securities lending transactions, there is a risk of shortfall of collateral value due to inaccurate pricing of the securities lent or change of value of securities lent. This may cause significant losses to the Fund.
- The base currency of the Fund is HKD but the class currencies of the Shares are in HKD, RMB and USD. The Net Asset Value of the Fund and its performance may be affected unfavourably by fluctuations in the exchange rates between these currencies and the base currency and by changes in exchange rate controls.
- Payments of distributions 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 may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.
- The trading price of the Fund unit (the "Unit") on the SEHK is driven by market factors such as demand and supply of the Unit. Therefore, the Units may trade at a substantial premium or discount to the Fund's net asset value.

Aug 2024

Monthly Commentary

Income ETFs



The Purpose of Mentioning Securities Are Illustrations for the Market or Industry Commentary Only. For Hong Kong Investors Only.

Global X Hang Seng High Dividend Yield ETF (3110 HK)

Market Update

Hang Seng High Dividend Yield Index recorded -1.1% return in July. 2Q GDP growth of +4.7% YoY was below consensus expectation of +5.1% YoY, and June retail sales growth remain weak at +2.0% YoY. Third Plenum of the 20th CCP Central Committee brought no upside surprise to the market. The July Politburo meeting acknowledged weak domestic demand, and outlined further monetary, fiscal, and property policy easing.¹ Further policy stimulus and execution is the key to support China equity market.

Stock Comments

CK Infrastructure Holdings recorded total returns of 18% in July, a key contributor to index performance. CKI announced potential second and additional listing on an overseas stock exchange (such as LSE) without any fund raising, which could benefit the Company's geographically diverse shareholder base. With lower rates and improving growth prospects, Hong Kong utility stocks are gaining tractions among investors.

Preview

Hang Seng High Dividend Yield Index is well positioned to benefit from increasing allocation from global investors amid global market volatility, and the potential dividend tax removal for southbound investors. Notably, this Index consists of over 55%² of its constituents in State Owned Enterprises. Supportive policies across consumption, property, and technology sectors, as well as the ongoing capital market reforms are key drivers for market rebound. The concept of the Valuation System with Chinese Characteristics ("VCC") is back in the spotlight again in light of recent developments. The primary objective of VCC is to enhance the quality and investment value of listed companies, especially SOEs. By investing in the Hang Seng High Dividend Yield Index, investors can gain exposure to high dividend-paying and low-volatility companies while also benefiting from the accelerated implementation of VCC.

¹ Goldman Sachs, July 2024

² Bloomberg, June 2024



Global X HSCEI Components Covered Call Active ETF (3416 HK)

Update:

Monthly Distribution in July: The ETF sold index call options on June 28, earning a premium of 1.54% of NAV, and paid a dividend on July 5, worth approximately 1.52% of NAV.

Index Call Option Premium in July: Premium earned by selling index call options for the HSI were 2.41% at the end of July.

Total Dividend Return: The total dividend return at the end of July (assuming you bought this ETF on its launch date of 29 February 2024) would be 7.6%, as of 31 July.¹

Market Volatility: The Hang Seng China Enterprises Index (HSCEI) fell 3.6% in July. The VHSCEI, a volatility index that measures the expected volatility for the HSCEI, increased to 22.9 to end the month.

Monthly Option Premium and Distribution History¹

Global X HSCEI Components Covered Call Active ETF (3416 HK)				
	Monthly Dividend Distribution (HK\$)	NAV Per Share (HK\$) at Ex-Div Date	Monthly Distributed Dividend Yield	Monthly Option Premium Yield ²
Feb-24	NA	NA	NA	3.04%
Mar-24	0.15	10.10	1.49%	3.01%
Apr-24	0.15	10.17	1.48%	3.00%
May-24	0.15	10.22	1.47%	1.89%
Jun-24	0.15	10.20	1.47%	1.54%
Jul-24	0.15	9.87	1.52%	2.41%

Source: Bloomberg, Mirae Asset, August 2024. 1. Dividend is not guaranteed. Distribution may be made out of capital. Positive yield does not mean positive return. Payments of distributions 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 may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.

2. Monthly Distributed Dividend Yield is calculated by Monthly Dividend Distribution/NAV Per Share at ex-Dividend Date. Monthly Option Premium Yield is calculated by Monthly Option Premium Income/NAV Per Share at the end of the month.



Global X HSI Components Covered Call Active ETF (3419 HK)

Update:

Monthly Distribution in July: The ETF sold index call options on June 28, earning a premium of 1.72% of NAV, and paid a dividend on July 5, worth approximately 1.21% of NAV.

Index Call Option Premium in July: The premium earned by selling index call options for the HSI were 1.94% at the end of July.

Total Dividend Return: The total dividend return at the end of July (assuming you bought this ETF on its launch date of 29 February 2024) would be 6.1%, as of 31 July. ¹

Market Volatility: The Hang Seng Index (HSI) fell by 2.1% in July. The VHSI, a volatility Index that measures the expected volatility for the HSI, increased to 20.6 to end the month,

Monthly Option Premium and Distribution History¹

Global X HSI Components Covered Call Active ETF (3419 HK)				
	Monthly Dividend Distribution (HK\$)	NAV Per Share (HK\$) at Ex-Div Date	Monthly Distributed Dividend Yield ²	Monthly Option Premium Yield
Feb-24	NA	NA	NA	2.46%
Mar-24	0.12	9.98	1.20%	2.49%
Apr-24	0.12	10.06	1.19%	2.29%
May-24	0.12	10.18	1.18%	2.03%
Jun-24	0.12	10.11	1.19%	1.72%
Jul-24	0.12	9.92	1.21%	1.94%

Source: Bloomberg, Mirae Asset, August 2024. 1. Dividend is not guaranteed. Distribution may be made out of capital. Positive yield does not mean positive return. Payments of distributions 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 may result in an immediate reduction in the Net Asset Value per Share of the Fund and will reduce the capital available for future investment.

2. Monthly Distributed Dividend Yield is calculated by Monthly Dividend Distribution/NAV Per Share at ex-Dividend Date. Monthly Option Premium Yield is calculated by Monthly Option Premium Income/NAV Per Share at the end of the month.



Global X US Treasury 3-5 Year ETF (3450 HK)

Market Update:

In July, the 3-5 year US Treasury saw a significant rally with yields finished 45-50 bps lower compared to June. Specifically, the Mirae Asset US Treasury 3-5 Year Index rose by 1.98% during the month.

On 27 July, initial jobless claims jumped to 249k (consensus: 236K) and continuing claims rose to 1.877 million (consensus: 1.855 million). As a result, Treasury yield dropped to the lowest levels in the year 2024. The worse-than-expected labour market stoked concerns about economic slowdown. The market is expecting Fed to cut rates more aggressively. OIS forwards are now pricing in an aggressive 109bp of cumulative eases by year end. This expectation of a more dovish Fed policy pivot provided a strong technical tailwind for the 3-5 year part of the Treasury curve.

Given the current volatile market situation, 3-5 year US Treasury offers better resilience against market uncertainty. The expected dovish Fed and easing cycle also provides the capital appreciation opportunities, thus delivering sustained outperformance.

Disclaimer

This document contains the opinions of Mirae Asset Global Investments (Hong Kong) Limited (“MAGIHK”) and is intended for your use only.

It is not a solicitation, offer or recommendation to buy or sell any security or other financial instrument and shall not constitute any form of regulated financial advice, legal, tax or other regulated service. Information contained herein has been obtained from sources believed to be reliable, but is not guaranteed. MAGIHK makes no representation as to their accuracy or completeness and therefore do not accept any liability for a loss arising from the use of this document.

Investment involves risk. Forecasts, past information and estimates have certain inherent limitations. Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these opinions are suitable for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Past performance information presented is not indicative of future performance. Before making any investment decision, investors should read the fund’s offering document for further details including the risk factors. Investors should ensure they fully understand the risks associated with the applicable investment and should also consider their own investment objective and risk tolerance level. Investors are advised to seek independent professional advice if in doubt.

Issuer: Mirae Asset Global Investments (Hong Kong) Limited (Licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance). This document has not been reviewed by the Securities and Futures Commission or the applicable regulator in the jurisdiction which this article is posted and no part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission of MAGIHK.

Authors: Yimin Huang (Licensed by the Securities and Futures Commission for Types 1 and 4 regulated activities under the Securities and Futures Ordinance). The author and his associate(s) do not hold the securities/fund mentioned in the article.