

## PRODUCT KEY FACTS



### Global X Leveraged and Inverse Series Global X Hang Seng Index Daily (-1x) Inverse Product

April 2022

- This is an inverse product. It is different from conventional exchange traded funds as it seeks inverse 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 inverse 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 inverse 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

<b>Stock code:</b>	07336
<b>Trading board lot size:</b>	100 Units
<b>Manager:</b>	Mirae Asset Global Investments (Hong Kong) Limited
<b>Trustee and Registrar:</b>	HSBC Institutional Trust Services (Asia) Limited
<b>Ongoing charges over a year<sup>#</sup>:</b> <b>(Annual average daily ongoing charges<sup>##</sup>)</b>	2.82% (0.0113%)
<b>Actual annual average daily tracking difference<sup>###</sup>:</b>	-0.03%
<b>Index:</b>	Hang Seng Index (HSI)
<b>Base currency:</b>	Hong Kong dollars
<b>Trading currency:</b>	Hong Kong dollars
<b>Dividend policy:</b>	The Manager does not intend to pay or make any distributions or dividends
<b>Financial year end:</b>	31 March
<b>Product website:</b>	<a href="https://www.globalxetfs.com.hk/">https://www.globalxetfs.com.hk/</a>

<sup>#</sup> The ongoing charges figure is based on expenses incurred for the financial year ended 31 March 2022, expressed as a percentage of the Sub-Fund's average net asset value over the same period. The figure may vary from year to year. The ongoing charges figure has been capped at a maximum of 3% of the average Net Asset Value of the Product since 1 August 2021. Any ongoing expenses of the Product will be borne by the Manager and will not be charged to the Product if such expense would result in the ongoing charges figure exceeding 3%. An increase or removal of the cap is subject to one month's prior written notice to Unitholders.

<sup>##</sup> The annual average daily ongoing charges figure is equal to the ongoing charges figure divided by the number of dealing days for the year ended on 31 March 2022. The figure may vary from year to year.

<sup>###</sup> This is an actual annual average daily tracking difference of the most recent calendar year and that

investors should refer to the Product's website for updated actual average Daily tracking difference information.

### What is this product?

- Global X Hang Seng Index Daily (-1x) Inverse Product (the "**Product**") is a sub-fund of the Global X Leveraged and Inverse Series, which is an umbrella unit trust established under Hong Kong law. The Product is an index tracking product falling under Chapter 8.6 and Chapter 8.8 of the Code on Unit Trusts and Mutual Funds. The 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 the inverse (-1x) Daily performance of the Index.
- The Product is denominated in HKD. Creations and redemptions are in HKD only.

### Objective and investment strategy

#### Objective

The Product seeks to provide investment results that, before fees and expenses, closely correspond to the inverse (-1x) Daily performance of the Hang Seng Index (HSI) (the "**Index**"). **The Product does not seek to achieve its stated objective over a period of time greater than one day.**

"**Daily**" in relation to the inverse performance of the Index or performance of the Product, means the inverse 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 will adopt a futures-based replication investment strategy through investing directly in the spot month HSI Futures Contracts and in the spot month Mini-Hang Seng Index Futures Contracts, subject to the rolling strategy discussed below, to obtain the required exposure to the Index. For the purpose of this product key facts statement, any reference to HSI Futures Contracts shall include Mini-Hang Seng Index Futures Contracts, unless the context requires otherwise.

In entering into the spot month HSI Futures Contracts, the Manager anticipates that not more than 20% of the Net Asset Value of the Product from time to time will be used as margin to acquire the HSI Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 80% of the Net Asset Value of the Product (this percentage may be reduced proportionally under exceptional circumstances when there is a higher margin requirement, as described above) will be invested in cash and cash equivalents (e.g. short term deposits) denominated in HKD. Yield in HKD from such cash and investment products will be used to meet the Product's fees and expenses and after deduction of such fees and expenses, the remainder (if any) will be reinvested into the Product.

The Product will not enter into securities lending transactions, sale and repurchase transactions, reverse repurchase transactions or other similar over-the-counter transactions.

#### Daily rebalancing

The Product as an inverse product will rebalance its position on a day when the HKFE and SEHK are open for trading (i.e. a Business Day). On such days the Product will rebalance its position at or around the close of trading of the underlying market, by decreasing exposure in response to the Index's Daily gains or increasing exposure in response to the Index's Daily losses, so that its Daily inverse 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 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 (the “**Index**”), 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.

Prior to the May 2021 index review, the universe of securities of the Index comprises securities of Greater China companies that are listed on the Main Board of the SEHK. It includes primary or secondary listed shares of companies and real estate investment trusts, but excludes stapled securities, foreign companies, biotech companies with stock names end with marker “B” and investment companies listed under Chapter 21 of the Listing Rules. With effect from the May 2021 index review, the universe of securities of the Index constituents refer to the Hang Seng Composite LargeCap & MidCap Index as of index review data cut-off date, and excludes foreign companies, stapled securities and biotech companies with stock names end with marker “B”.

The Index adopts a freefloat-adjusted market capitalisation weighted methodology with a specified cap-level on individual constituent weightings. Currently, weighted voting rights constituents (“**WVRs**”) and secondary-listed constituents are subject to a 5% weighting cap, and other constituents are subject to a 10% weighting cap. With effect from the June 2021 index rebalancing, all individual constituents, including WVRs, secondary-listed constituents and other constituents, will be subject to an aligned weighting cap of 8%.

The Index has four sub-indices, being finance, commerce and industry, properties and utilities, and each constituent belongs to one of these sub-indices based on the industry classification of the Hang Seng Industry Classification System.

The Index is a price return index. A price return index calculates the performance of the Index constituents without adjustments for cash dividends or warrant bonuses.

As at 31 March 2022, it comprised 66 constituent stocks with total market capitalisation of approximately HKD 23,316,725 million. The number of Index constituents is targeted to increase to 80 through the regular index reviews by mid-2022 and, ultimately, to fix the number at 100.

The Index was launched on 24 November 1969 and had a base level of 100 on 31 July 1964. The Index is denominated in HKD.

The Index is 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.

**Index constituents**

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

**Index codes**

Bloomberg: HSI

Reuters: .HSI

**Use of derivatives/ Investment in derivatives**

The Product’s net derivative exposure may be more than 50% but up to 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 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. Inverse performance risk**

- The Product tracks the inverse Daily performance of the Index. Should the value of the underlying securities of the Index increase, it could have a negative effect on the performance of the Product. Unitholders could, in certain circumstances including a bull market, face minimal or no returns, or may even suffer a complete loss, on such investments.

**3. Long term holding risk**

- **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 inverse performance of the Index over that same period (e.g. the loss may be more than -1 times the increase 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 inverse 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 falls or is flat.

**4. Inverse Product vs. short selling risk**

- Investing in the Product is different from taking a short position. Because of rebalancing the return profile of the Product is not the same as that of a short position. In a volatile market with frequent directional swings, the performance of the Product may deviate from a short position.

**5. Unconventional return pattern risk**

- Inverse products aim to deliver the opposite of the daily return of the Index. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

**6. Risk of rebalancing activities**

- 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.

**7. Liquidity risk**

- The rebalancing activities of the Product typically take place near the end of a Business Day, at or around the close of trading of the underlying market, 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.

**8. Intraday investment risk**

- Leverage factor of the Product may change during a trading day when market moves but it will not be rebalanced immediately. The Product is normally rebalanced near the end of a Business Day, at or around the close of trading of the underlying market. As such, return for investors that invest for a period less than a full trading day may be greater than or less than the inverse investment exposure to the Index, depending upon the movement of the Index

from the last rebalancing until the time of purchase.

#### **9. 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.

#### **10. 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 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.

#### **11. Volatility risk**

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

#### **12. Holding of HSI Futures Contracts restriction in number risk**

- The positions of futures contracts or stock options contracts held or controlled by the Product, and/or the positions 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 Securities and Futures (Contracts Limits and Reportable Position) Rules (the "Rules"). Accordingly, if the position held or controlled by the Product, and/or the positions 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, reaches the relevant position limit or if the Net Asset Value of the Product grows significantly, 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. The investment exposure could also deviate from the target exposure which adds tracking error to the Product.

#### **13. Concentration risk**

- To the extent that the Index constituents concentrate in Hong Kong listed securities (including H-shares and red chip shares) of a particular sector or market, the investment 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 adverse conditions in such particular sector or market.

#### **14. Passive investments risks**

- The Product is not "actively managed" and therefore the Manager will not have discretion to adapt to market changes when the Index moves in an unfavourable direction to the Product. In such circumstances the Product will also decrease in value.

#### **15. 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.

#### **16. 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 the HSI Futures Contracts 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 the HSI Futures Contracts, which may prevent the Product from achieving its investment objective.

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

- Fees, expenses, transaction costs, high portfolio turnover, liquidity of the market and the investment strategy adopted by the Manager may result in tracking error, and the reduced correlation between the performance of the Product and the Daily inverse performance of the Index may reduce. 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 inverse performance of the Index.

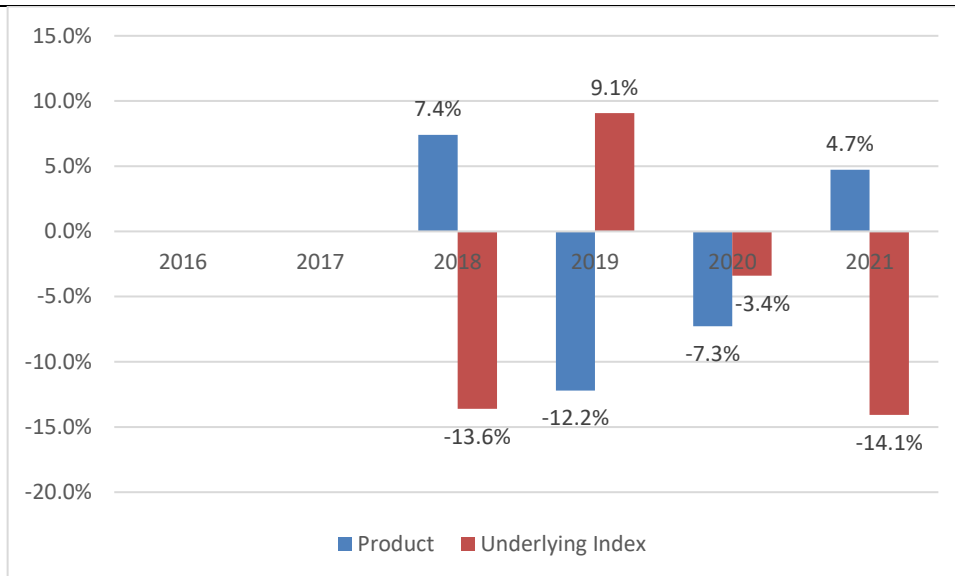
#### **18. Termination risk**

- 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 HKD80 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.

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

- Although it is a requirement that 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 terminating market making arrangement under the relevant market maker agreement, liquidity in the market for the Units may be adversely affected if there is only one market maker for the Units. Also, the Product may be required by the SFC to be terminated if there is no market maker for the Units. There is no guarantee that any market making activity will be effective.

#### **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, without any reinvestment of distributions.
- 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 the inverse 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 the inverse 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.
- Launch date: 10 March 2017.

### Is there any guarantee?

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

**What are the fees and charges?****Charges incurred when trading the Product on the SEHK**

<b>Fee</b>	<b>What you pay</b>
<b>Brokerage fee</b>	Market rates
<b>Transaction levy</b>	0.0027% <sup>1</sup>
<b>Trading fee</b>	0.005% <sup>2</sup>
<b>Stamp duty</b>	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 which may affect the trading price.

	<b>Annual rate (as a % of the Product's Net Asset Value)</b>
<b>Management fee*</b>	Up to 0.65%
<b>Trustee fee*</b>	Up to 0.12%, subject to a monthly minimum of HKD78,000 (minimum fee waived from 10 March 2017 to 10 March 2019)
<b>Performance fee</b>	Not applicable
<b>Administration fee</b>	Not applicable

\* Please note that such a fee may be increased up to a permitted maximum amount by providing 1 month's prior notice to Unitholders. Please refer to the "Fees and Charges" section of the Prospectus for details.

**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 <https://www.globalxetfs.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 accounts and interim unaudited 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, the notices of the suspension of the creation and redemption of units, the suspension of the calculation of the Net Asset Value, changes in fees and the suspension and resumption of trading;
- the near real time indicative Net Asset Value per Unit updated every 15 seconds throughout each dealing day in HKD;
- the last Net Asset Value of the Product in HKD, and last Net Asset Value per Unit in HKD;
- the actual daily tracking difference, the actual average daily tracking difference and the tracking



error of the Product;

- the ongoing charges figures and the past performance information of the Product;
- full portfolio information of the Product (updated on a daily basis);
- 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;
- the latest list of the participating dealers and market makers; and
- the last closing level of the Index.

**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.