



Global X Leveraged and Inverse Series  
Global X S&P 500 Daily (-1x) Inverse Product\*  
(\*This is a synthetic 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>	07322
<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>: (Annual average daily ongoing charges<sup>##</sup>)</b>	1.68% (0.0067%)
<b>Annual average daily tracking difference<sup>###</sup>:</b>	-0.01%
<b>Index:</b>	S&P 500 Index
<b>Base currency:</b>	US dollars (USD)
<b>Trading currency:</b>	Hong Kong dollars (HKD)
<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 Product's average net asset value over the same period. The figure may vary from year to year. It does not include the swap fees. The ongoing charges figure has been capped at a maximum of 1.68% of the average Net Asset Value of the Product since launch. 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 1.68%. An increase or removal of the cap is subject to prior approval of the SFC and 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 S&P 500 Daily (-1x) Inverse Product\* (\*This is a synthetic 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.
- The Product is denominated in USD. Creations and redemptions are in USD only.

## Objective and investment strategy

### Objective

The Product seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the inverse (-1x) Daily performance of the S&P 500 Index (the “**Index**”). **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

“Daily” in relation to the 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 managing the Product, the Manager will adopt a synthetic replication investment strategy, pursuant to which the Product will enter into one or more unfunded swaps (a “**Swap**”) (which are over-the-counter financial derivative instruments entered into with one or more counterparties (each a “**Swap Counterparty**”)) whereby the Product will receive the exposure to the economic gain/loss in the inverse performance of the Index (net of swap fees) on a Daily basis. The swap fees represent a variable spread (which can be positive or negative) plus LIBOR which reflects the Swap Counterparty’s costs of financing the underlying hedge in order to provide the inverse performance of the Index on a Daily basis. If the swap fee is a positive figure, the swap fees will be borne by the investors and may have a substantial adverse impact on the Net Asset Value and the performance of the Product and may result in higher tracking error. On the contrary, if the swap fee is a negative figure, the Swap Counterparty will pay the swap fee to the Product.

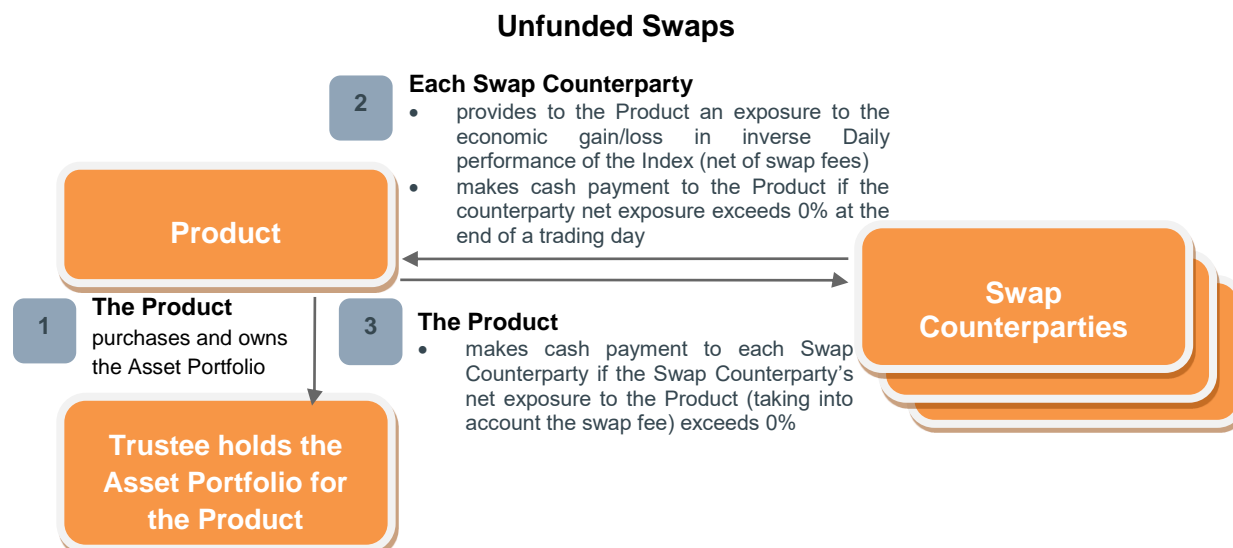
The Manager will manage the Product with the objective to reduce to nil the Product’s single counterparty net exposure on the basis that where the Product’s net exposure to each Swap Counterparty exceed 0% at the end of a trading day T (New York time), at around 1:00 p.m. on trading day T+1 (Hong Kong time) the Manager will require that Swap Counterparty make cash payment to the Product so that the net exposure of the Product to each Swap Counterparty is limited to no more than 0% of its Net Asset Value. The settlement of such cash payment will occur on trading day T+1 (Hong Kong time). On the other hand, if a Swap Counterparty’s net exposure to the Product exceeds 0% (e.g. when the performance of the Index increases substantially), the Product will make cash payment to the Swap Counterparty.

No collateral arrangement is put in place. The values of the swaps are marked to market by the Swap Counterparties on a daily basis.

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

The investments made by the Product, other than Swap, shall comply with the requirements in 7.36 to 7.38 of the Code on Unit Trusts and Mutual Funds.

The diagram below shows how the Product works:



### Asset Portfolio

The Product will hold and own an asset portfolio ("Asset Portfolio") consisting of cash, cash equivalents and HKD or USD denominated short term investment grade government bonds.

The Manager will manage the Asset Portfolio with the objective of maintaining around 30% of the Net Asset Value of the Product in cash and around 70% of the Net Asset Value in cash equivalents and bonds. It is anticipated that the investment in bonds will not exceed 50% of the Net Asset Value of the Product.

Please refer to the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC) for the composition of the Asset Portfolio which will be updated on a daily basis.

### Swap Counterparty

The Manager adopts a multiple counterparty strategy. 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 (a) the prospective swap counterparty must have a paid-up capital of the equivalent of at least HKD150 million; (b) the prospective swap counterparty or its guarantor must be a substantial financial institution (as defined under the Code) subject to an on-going prudential and regulatory supervision; and (c) the prospective swap counterparty or its guarantor must have a long-term debt credit rating of at least "BBB" from Standard & Poor's or an equivalent rating given by other reputable rating agency of similar standing at all times. The Manager may also impose such other selection criteria as it considers appropriate. A Swap Counterparty must be independent of the Manager.

The Manager will publish, inter alia, the latest list of the identity of the Swap Counterparty of the Product, as well as the Product's gross and net exposure to each such Swap Counterparty, on the Manager's website at <https://www.globalxetfs.com.hk/> (which has not been reviewed by the SFC).

### Index

The Index is an index that measures large-cap US stock market performance. It comprises approximately 500 large cap stocks which are common equities primarily listed on the US publicly traded stock market, and covers approximately 80% of available US market capitalisation. The Index is denominated in USD.

The Index is a price return, free-float adjusted market capitalisation weighted index. A price return index calculates the performance of the index constituents on the basis that any dividends or distributions are not included in the index returns.

As at 31 March 2022, it comprised 504 constituent stocks with total market capitalisation of approximately USD 39,903 billion.

The Index was launched on 4 March 1957 and had a base level of 10 on 1941-1943. The Index is compiled and managed by S&P Dow Jones Indices LLC (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 at <https://supplemental.spindices.com/supplemental-data/hong-kong> (this has not been reviewed or approved by the SFC).

### Index codes

Bloomberg: SPX

Reuters: .SPFIV

### Use of derivatives / Investment in derivatives

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

### What are the key risks?

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

#### 1. Investment risk

- The Product is a derivative product and not intended 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. The return profile of the Product is not the same as that of a short position over a period of more than one day. In a volatile market with frequent directional swings, the performance of the Product may deviate from a short position.

#### 5. Unconventional return pattern risk

- Risk investment outcome of the Product is the opposite of conventional investment

funds. If the value of the Index increases for extended periods, the Product will likely to lose most or all of its value.

#### **6. Synthetic replication and counterparty risk**

- The Product seeks to obtain the required exposure through one or more Swaps with different Swap Counterparties. The Product 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. Derivative instruments are subject to valuation risk and liquidity risk and are susceptible to price fluctuations and higher volatility, which may result in large bid and offer spreads with no active secondary market. The Product may suffer losses potentially equal to the full value of the derivatives.
- Any delay in the cash payment by the Swap Counterparty to the Product prior to the end of the relevant trading day may cause the Product's exposure to a Swap Counterparty to be larger than zero from time to time. This may result in significant losses for the Product in the event of the insolvency or default of that Swap Counterparty.

#### **7. Intraday investment risk**

- The leverage factor of the Product is normally reset to -1 at the end of a Business Day. 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 end of the Business Day until the time of purchase.

#### **8. Foreign exchange risk**

- The Units of the Product listed on the SEHK are traded in HKD, but the Net Asset Value of the Product and the Index are calculated in USD. Accordingly, Unitholders will be exposed to foreign exchange currency risks arising from the fluctuations of HKD and USD. Unitholders may suffer a loss if USD depreciates against HKD, irrespective of the performance of the Index.

#### **9. Concentration risk**

- The Product's investments are concentrated in the United States. The value of the Product may be more volatile than that of a fund having a more diverse portfolio of investments.

#### **10. Risks of investing in fixed income securities**

##### *Credit/counterparty risk*

- The Product is exposed to the credit/default risk of issuers of the debt securities that the Product may invest in.

##### *Interest rate risk*

- Investment in the Product is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

##### *Credit ratings risks*

- 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.

#### **11. 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.

#### **12. 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.

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

- Due to fees, expenses, transaction costs as well as costs of using financial derivatives, liquidity of the market and the investment strategy adopted by the Manager, the

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.

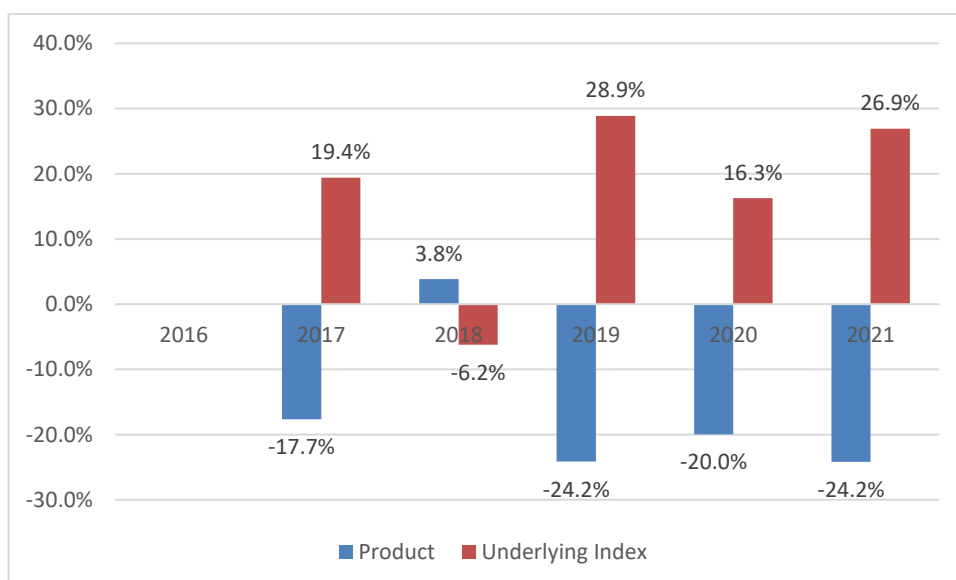
**14. Termination risk**

- 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 USD10 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.

**15. 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, 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 USD 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: 5 Oct 2016.

### 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**

Fee	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027% <sup>1</sup>
Trading fee	0.005% <sup>2</sup>
Stamp duty	Nil

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

<sup>2</sup> Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.

#### **Ongoing fees payable by the Product**

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

	Annual rate (as a % of the Product's Net Asset Value)
Management fee*	Up to 0.85%
Trustee fee*	Up to 0.12%, subject to a monthly minimum of USD10,000 (minimum fee waived from October 2016 to September 2018)
Performance fee	Not applicable
Administration fee	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 USD and HKD;
- the last Net Asset Value of the Product in USD and HKD, and last Net Asset Value per

Unit in USD and HKD;

- (g) the actual daily tracking difference, the actual average daily tracking difference and the tracking error of the Product;
- (h) the past performance information of the Product;
- (i) 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;
- (j) the last closing level of the Index;
- (k) the latest list of the participating dealers and market makers;
- (l) the gross and net exposure to each Swap Counterparty;
- (m) full portfolio information of the Asset Portfolio;
- (n) total Asset Portfolio (expressed as a percentage of the Product’s Net Asset Value);
- (o) the list of Swap Counterparties (including hyperlinks to the websites of Swap Counterparties and their guarantors (if applicable));
- (p) pictorial presentation of Asset Portfolio information by way of pie charts showing the following:
  - a breakdown by asset type, e.g. equity, bond and cash and cash equivalents;
  - for equity, further breakdown by (1) primary listing (i.e. stock exchanges), (2) index constituents, and (3) sector;
  - for bond, further breakdown by (1) types of bonds, (2) countries of issuers/guarantors, and (3) credit rating; and
- (q) top 10 holdings in the Asset Portfolio (including name, percentage of the Product’s Net Asset Value, type, primary listing for equities and country of issuers),

where items (l), (m) and (n) will be updated on a daily basis and items (o), (p) and (q) will be updated on a weekly basis and uploaded onto the website within three working days of the end of each week.

The near real-time indicative Net Asset Value per Unit in HKD is indicative and for reference purposes only. It will be updated every 15 seconds during SEHK trading hours. It is calculated by ICE Data Services using the near real-time indicative Net Asset Value per Unit in USD multiplied by a real-time HKD:USD foreign exchange rate provided by ICE Data Services Real-Time FX Rate when the SEHK is open for trading. Since the indicative Net Asset Value per Unit in USD will not be updated when the US stock market is close, any change in the indicative Net Asset Value per Unit in HKD during such period is solely due to foreign exchange rate.

The last Net Asset Value per Unit in HKD is indicative and for reference purposes only and is calculated using the last Net Asset Value per Unit in USD multiplied by the HKD:USD exchange rate quoted by Thomson Reuters at 4:00pm (London Time) as of the same Dealing Day provided by the Trustee. The official last Net Asset Value per Unit in USD and the indicative last Net Asset Value per Unit in HKD will only be updated when the SEHK is open.

### **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.