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## **Global X ETF Series (the “Trust”)**

### **Global X MSCI China ETF**

(Stock Code: 03040)

### **Global X Hang Seng High Dividend Yield ETF**

(Stock Code: 03110)

### **Global X China Biotech ETF**

(USD Counter Stock Code: 09820; HKD Counter Stock Code: 02820)

### **Global X China Cloud Computing ETF**

(USD Counter Stock Code: 09826; HKD Counter Stock Code: 02826)

**(each an “Investment Fund”, and collectively, the “Investment Funds”)**

*(each a sub-fund of Global X ETF Series, a Hong Kong umbrella unit trust authorized under section 104 of the Securities and Futures Ordinance (Cap. 571) of Hong Kong)<sup>1</sup>*

#### **Notice to Unitholders – Changes to Investment Strategy**

Dear Unitholders,

We, as the Manager of the Trust and the Investment Funds, wishes to inform Unitholders of certain changes relating to the investment strategy of the Investment Funds, which will take effect on 9 January 2023 (the “Effective Date”):

#### **Changes to Investment Strategy**

##### **I. Use of synthetic replication strategy as an ancillary strategy – applicable to Global X China Biotech ETF and Global X China Cloud Computing ETF only**

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# GLOBAL X

by Mirae Asset

Currently, each of the **Global X China Biotech ETF** and **Global X China Cloud Computing ETF** intends to adopt a full replication strategy through investing all, or substantially all, of its assets directly in all securities constituting the respective Underlying Index in substantially the same weightings as these securities have in the relevant Underlying Index to achieve its investment objective.

From the Effective Date onwards, in order to enable each of the **Global X China Biotech ETF** and **Global X China Cloud Computing ETF** to replicate the performance of the relevant Underlying Index as closely as possible under different market circumstances, the Manager will intend to adopt a combination of physical and synthetic replication strategy to achieve the investment objective of each of the **Global X China Biotech ETF** and **Global X China Cloud Computing ETF**.

Accordingly, with effect from the Effective Date, the investment strategy of each of these Investment Funds will change as follows:

	<b>Current investment strategy</b>	<b>Revised investment strategy (from the Effective Date onwards)</b>
<i>Replication strategy</i>	<p>The Manager intends to adopt a <b><u>full replication strategy</u></b> through investing all, or substantially all, of the assets of the Investment Fund <b><u>directly</u></b> in all securities constituting the Underlying Index in substantially the same weightings as these securities have in the Underlying Index to achieve the investment objective of the Investment Fund.</p> <p>Where the adoption of a full replication strategy is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may pursue a representative sampling strategy and hold a representative sample of the constituent securities of the Underlying Index selected by the Manager using quantitative analytical models to derive a portfolio sample. Investors should note that the Manager may switch between the full replication strategy and the representative sampling strategy without prior notice to investors, in its absolute discretion.</p>	<p>The Manager intends to adopt a <b><u>combination of physical and synthetic replication strategy</u></b> to achieve the investment objective of the Investment Fund.</p> <p>The Investment Fund will:</p> <ul style="list-style-type: none"> <li>(i) invest <b><u>50% to 100% of its Net Asset Value directly</u></b> in Index Securities; and</li> <li>(ii) <b><u>use synthetic replication strategy as an ancillary strategy when the Manager considers that such investments are beneficial to the Investment Fund by investing up to 50% of its Net Asset Value in FDIs, mainly funded total return swap transaction(s) with one or more swap counterparty(ies).</u></b></li> </ul> <p>The Investment Fund intends to obtain exposure to the Index Securities <b><u>(through direct investment and/or through FDIs)</u></b> in substantially the same weightings as these securities have in the Underlying Index (the "Investment Strategy").</p>

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		<p>Where the adoption of the Investment Strategy is not efficient or practicable or where the Manager considers appropriate in its absolute discretion, the Manager may obtain exposure to a representative sample of the Index Securities selected by the Manager <b><u>(through direct investment and/or through FDIs)</u></b> using quantitative analytical models to derive a portfolio sample.</p> <p>Investors should note that the Manager may switch between the abovementioned strategies without prior notice to investors, in its absolute discretion.</p>
<i>Use of derivatives</i>	The Investment Fund may invest in FDIs for hedging or non-hedging (i.e. investment) purposes, in order to achieve efficient portfolio management.	The Investment Fund may invest in FDIs for hedging or non-hedging (i.e. investment) purposes, in order to achieve <b><u>the investment objective of the Investment Fund and</u></b> efficient portfolio management.

The net derivative exposure of each of the **Global X China Biotech ETF** and **Global X China Cloud Computing ETF** will remain to be up to 50% of its Net Asset Value.

The Investment Funds will be subject to the following additional risks associated with synthetic replication strategy:

- *Risks associated with investing in FDIs:* The relevant Investment Fund's synthetic replication strategy will involve investing up to 50% of its Net Asset Value in FDIs, mainly funded total return swap transaction(s) through one or more counterparty(ies). Other than swaps, the Investment Fund may also invest in other FDIs for investment and hedging purposes. As such, the Investment Fund may suffer significant loss if a counterparty to the FDIs fails to perform its obligations, or in case of insolvency or default of the 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 Investment Fund. Exposure to FDIs may lead to a high risk of significant loss by the relevant Investment Fund.

- *Synthetic replication strategy risk:* The Manager seeks to mitigate the counterparty risks by fully collateralising all counterparty exposures. There is a risk that the value of the collateral may be substantially lower than the amount secured and so an Investment Fund may suffer significant losses. Any loss would result in a reduction in the Net Asset Value of the relevant Investment Fund and impair the ability of the relevant Investment Fund to achieve its investment objective to track the Underlying Index.

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

## II. Securities lending transactions – applicable to Global X MSCI China ETF, Global X Hang Seng High Dividend Yield ETF, Global X China Biotech ETF and Global X China Cloud Computing ETF

To enhance efficient portfolio management and allow the Manager to maintain greater flexibility for the Investment Funds to engage in securities lending transactions to achieve their respective investment objectives, from the Effective Date onwards, the Investment Funds' exposure to securities lending transactions will be adjusted as follows:

<b>Current exposure to securities lending transactions</b>	<b>Revised exposure to securities lending transactions (from the Effective Date onwards)</b>
The Manager may, on behalf of the Investment Fund, enter into securities lending transactions to a maximum level of up to <b>25%</b> and expected level of approximately 20% of the relevant Investment Fund's Net Asset Value.	The Manager may, on behalf of the Investment Fund, enter into securities lending transactions to a maximum level of up to <b>50%</b> and expected level of approximately 20% of the relevant Investment Fund's Net Asset Value.

All revenues (net of direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a Securities Lending Agent and/or other service providers in the context of securities lending transactions to the extent permitted by applicable legal and regulatory requirements) shall be returned to the Investment Funds. The cost relating to securities lending transactions will be borne by the borrower.

### **Clarification to the Single Management Fee arrangement**

The Investment Funds employ a single management fee structure. Following the changes to investment strategy set out above, (i) each of the Global X China Biotech ETF and Global X China Cloud Computing ETF will bear the swap fees when it enters into a swap transaction and (ii) each of the Investment Funds will bear the direct and indirect expenses as reasonable and normal compensation for the services rendered by the Manager, a Securities Lending Agent and/or other service providers in the context of securities lending transactions (which will be netted against the revenue arising from the securities lending transactions). For better



clarity, it will be clarified in the Prospectus that the Single Management Fee does not include brokerage and transaction costs, and swap fees.

### **Impact on the Investment Funds**

Apart from the foregoing, there will be no change to the fee level or cost in managing the Investment Funds following the implementation of these changes.

Save as disclosed in this Announcement, there will be no impact on the operation and/or manner in which the Investment Funds are being managed and the above changes will not affect the existing investors of the Investment Funds, and there will be no change to the features or risk profiles of the Investment Funds. The Unitholders' rights or interests will not be materially prejudiced as a result of the changes set out in this Announcement.

The changes described in this Announcement do not require Unitholders' approval. Costs and/or expenses associated with the changes will be borne by the Manager.

### **General**

Unless otherwise stated, all capitalised terms in this Announcement shall have the same meaning as in the Prospectus of the Trust (the "**Prospectus**") dated 15 August 2022.

The Prospectus and the product key facts statements of the Investment Funds will be revised to reflect the above changes as well as consequential changes, editorial and miscellaneous updates. The updated offering documents will be available on the Manager's website at <https://www.globalxetfs.com.hk/><sup>2</sup> and the HKEX's website at [www.hkex.com.hk](http://www.hkex.com.hk) on the Effective Date.

If you have any queries in relation to this Announcement, please contact the Manager at Room 1101, 11/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong or its enquiry hotline at (852) 2295-1500 during office hours.

**Mirae Asset Global Investments (Hong Kong) Limited**  
**as Manager of the Trust and the Investment Funds**  
**Date: 9 December 2022**

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<sup>2</sup> This website has not been reviewed or approved by the SFC.