

# PRODUCT KEY FACTS

ChinaAMC NASDAQ-100 Index Daily (-1x)

Issuer: China Asset Management  
(Hong Kong) Limited

Inverse Product

*A product established under the ChinaAMC Leveraged/Inverse Series*



**华夏基金(香港)有限公司**  
CHINA ASSET MANAGEMENT (HONG KONG) LIMITED

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

Stock Code:	7331
Trading Lot Size:	100 Units
Manager:	China Asset Management (Hong Kong) Limited 華夏基金(香港)有限公司
Trustee and Registrar:	HSBC Institutional Trust Services (Asia) Limited
Ongoing charges over a year <sup>#</sup> (annual average daily ongoing charges*):	2.32% (0.0096%)
Actual average daily tracking difference <sup>##</sup> :	0.01%
Underlying Index:	NASDAQ-100 Index
Trading Currency:	Hong Kong dollars (HKD)

<sup>#</sup> The ongoing charges figure is based on expenses for the year ended 31 December 2021. This figure may vary from year to year. It represents the ongoing expenses chargeable to the Product expressed as a percentage of the Product's average NAV.

<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 31 December 2021. This figure may vary from year to year.

<sup>##</sup> The actual average daily tracking difference is the actual average daily tracking difference for the year ended 31 December 2021. Investors should refer to the Product's website for the updated actual average daily tracking difference.

<b>Base Currency:</b>	US dollars (USD)
<b>Distribution Policy:</b>	The Manager does not intend to pay or make regular distributions or dividends. However, the Manager may pay special dividends upon making an announcement in respect of the relevant distribution amount (in USD only).
<b>Financial Year End of this Product:</b>	31 December
<b>Website:</b>	<a href="http://7331EN.chinaamc.com.hk">7331EN.chinaamc.com.hk</a>

## What is this product?

- ChinaAMC NASDAQ-100 Index Daily (-1x) Inverse Product (the “**Product**”) is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of the Product (the “**Units**”) are traded on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) like stocks.
- It is a futures-based product which invests directly in the E-Mini NASDAQ 100 futures (“**E-mini NASDAQ 100 Futures**”) which are traded on the Chicago Mercantile Exchange (“**CME**”) so as to give the Product the inverse (-1x) of the Daily performance of the Index.
- The Product is denominated in USD. Creations and redemptions are in USD only.

## Objective and Investment Strategy

### Objective

The investment objective is to provide Daily investment results, before fees and expenses, which closely correspond to the inverse (-1x) of the Daily performance of the NASDAQ-100 Index (the “**Index**”). **The Product does not seek to achieve its stated investment objective over a period of time greater than one day.**

### Strategy

The Manager intends to adopt a futures-based replication investment strategy to achieve the investment objective of the Product, through directly investing in the nearest quarter E-mini NASDAQ 100 Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the Index. In entering the nearest quarter E-mini NASDAQ 100 Futures, it is anticipated that no more than 20% of the Net Asset Value (“**NAV**”) of the Product from time to time will be used as margin to acquire the E-mini NASDAQ 100 Futures.

The remaining 80% of the NAV of the Product will be invested in cash (USD) and other USD denominated investment products, such as deposits with banks in Hong Kong, SFC authorised money market funds or other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the Code.

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

“**Daily**” in relation to the inverse performance of the Index or the performance of the Product, means the inverse performance of the Index or the performance of the Product (as the case may be) from the close of market of a given Business Day until the close of the market on the subsequent Business Day. The Product will be rebalanced Daily, on each day when the SEHK, the CME and the NASDAQ are open for trading (i.e. a Business Day), as further described below.

### Daily rebalancing

At or around the close of the trading on the NASDAQ on each Business Day, the Product will seek to rebalance its portfolio, by decreasing inverse exposure in response to the Index’s Daily gains or increasing inverse 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 objectives.

### Futures roll

The E-mini NASDAQ 100 Futures are quarterly futures contracts traded on the CME, which offer liquid benchmark contracts to manage exposure to the 100 constituents of the Index.

A “roll” occurs when an existing E-mini NASDAQ 100 Future is about to expire and is replaced with an E-mini NASDAQ 100 Future representing the same underlying but with a later expiration date. The Index does not include provisions for the rolling of the E-mini NASDAQ 100 Futures as it is a standard equity index. The Manager has full discretion of futures rolling execution to meet the Product’s investment objective. The roll will occur within a 8-calendar days period in the last calendar month of each quarter (between 8 calendar days before the last trading day of the nearest quarterly E-mini NASDAQ 100 Futures and one business day before the last trading day of the nearest quarterly E-mini NASDAQ 100 Futures).

## Index

The Index includes 100 of the largest U.S. and international non-financial companies listed on the NASDAQ Stock Market based on market capitalisation. It is denominated in USD. The Index was launched on 31 January 1985 and had a base date of 31 January 1985 and a base level of 125.

The Index is a price return, free float market capitalisation weighted index. As at 1 March 2022, it comprised of 102 securities with total market capitalisation of USD 16.60 trillion.

The Manager and its connected persons are independent of NASDAQ OMX Group Inc., the index provider of the Index. You can obtain the most updated 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.nasdaq.com](http://www.nasdaq.com) (the contents of which have not been reviewed by the SFC).

Bloomberg Code: NDX

## Use of derivatives / Investment in derivatives

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

## What are the key risks?

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

### 1. Investment risk

- The Product is a derivative product and is not suitable for all investors. There is no guarantee of the repayment of principal. Therefore your investment in the Product may suffer substantial or total losses.

### 2. 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.

### **3. 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.

### **4. 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.

### **5. Futures contracts risk**

- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks. 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.
- The Product may be adversely affected by the cost of rolling positions forward as the E-mini NASDAQ 100 Futures approach expiry.
- An extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in an E-mini NASDAQ 100 Future may result in a proportionally high impact and substantial losses to the Product, having a material adverse effect on the NAV. A futures transaction may result in significant losses in excess of the amount invested.

### **6. Inverse performance risk**

- The Product tracks the inverse (-1x) 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.

### **7. 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.

### **8. Liquidity risk**

- The Product is exposed to liquidity risk linked to E-mini NASDAQ 100 Futures. Moreover, the rebalancing activities of the Product typically take place at or around the close of trading on the NASDAQ 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.

### **9. Intraday investment risk**

- The Product is normally rebalanced at or around the close of trading on the NASDAQ. As such, return for investors that invest for period less than a full trading day will generally be greater than or less than the inverse investment exposure to the Index, depending upon the movement of the Index from the end of one trading day until the time of purchase.

### **10. Portfolio turnover risk**

- Daily rebalancing of Product's holdings causes a higher level of portfolio transactions than compared to the conventional exchange traded funds. High levels of transactions increase brokerage and other transaction costs.

### **11. Concentration risk, US markets risk and NASDAQ-100 constituents risk**

- The Product is subject to concentration risks as a result of tracking the inverse performance of companies from the technology sector and its concentration in the US market which may be more volatile than other markets. The value of the Product may be more volatile than that of a broadly-based fund.
- Companies in the technology sector are often smaller, and are characterised by relatively higher volatility in price performance when compared to other economic sectors. Companies in the technology sector also face intense competition which may have an adverse effect on profit margins. Investment in NASDAQ constituents may therefore more volatile. The price volatility of constituents of the Index may be greater than the price volatility constituents of more broad-based indices.

#### **12. Distributions risk**

- Distributions (if any) will be made in USD. If a Unitholder has no USD account, the Unitholder may have to bear the fees and charges associated with the conversion of such dividend from USD to HKD or any other currency.

#### **13. Passive investment risk**

- The Product is passively managed and the Manager will not have the discretion to adapt to market change due to the inherent investment nature of the Product. When the Index moves in an unfavourable direction (i.e. if it increases), the Product will decrease in value.

#### **14. Difference in price limit risk**

- The daily price limit for the NASDAQ (which is triggered when the price of the S&P 500 Index drops 20% in a day) and the daily price limit for the E-mini NASDAQ 100 Futures are different. As such, should the Index's daily price movement be greater than the price limit of the E-mini NASDAQ 100 Futures, the Product may not be able to achieve its investment objective as the E-mini NASDAQ 100 Futures are unable to deliver a return beyond their price limit.

#### **15. Trading time differences risk**

- As the CME may be open when Units in the Product are not traded and priced on SEHK, the value of the E-mini NASDAQ 100 Futures in the Product's portfolio, or the value of constituents in the Index to which such futures contracts are linked, may change when investors will not be able to purchase or sell the Product's Units. Also, the price movement of E-mini NASDAQ 100 Futures may trigger daily price limit on CME during trading hours of the SEHK, as a result, the E-mini NASDAQ 100 Futures may not be tradable while the Product is still trading on the SEHK. Differences in trading times between the CME and the SEHK may increase the level of premium/discount of the Unit price to its NAV.
- The NASDAQ and the CME have different trading hours. The normal trading hours of NASDAQ being at 9:30am and end at 4pm (Eastern Time) while the CME trades 24 hours except trading halt (i.e. 4:15pm to 4:30pm Eastern Time) and daily maintenance period (i.e. 5pm to 6pm Eastern Time). Trading of the Index constituents on NASDAQ closes earlier than trading of the E-mini NASDAQ 100 Futures on CME, so there may continue to be price movements for the E-mini NASDAQ 100 Futures when Index constituents are not trading. There may likely be imperfect correlation between the value of the Index constituents and the E-mini NASDAQ 100 Futures, and therefore enlarge the deviation of daily performance between the Product and one time inverse (-1x) daily performance of the Index, which may adversely affect the Product from achieving its investment objective.

#### **16. 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 NAV.
- 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.

#### **17. Reliance on market maker risk**

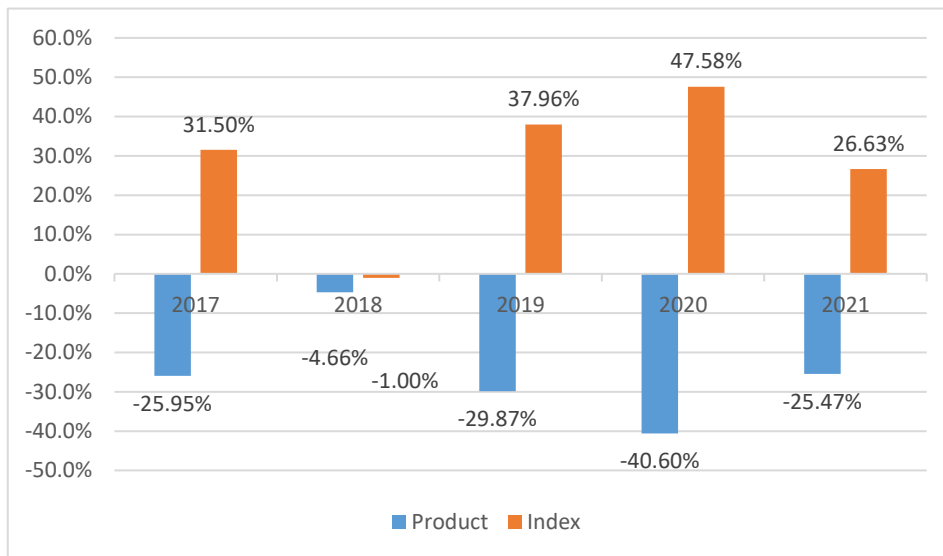
- Although the Manager will use its best endeavours to put in place arrangements so that at least one market maker will maintain a market for the Units and gives not less than three months' notice prior to termination of the market making arrangement, liquidity in the market for the Units may be adversely affected if there is only one market maker for the Units. There is also no guarantee that any market making activity will be effective.

**18. Tracking error risk**

- The Product may be subject to tracking error risk, which is the risk that its Daily performance may not precisely track that of the inverse Daily performance of the Index. This tracking error may result from the investment strategy used, high portfolio turnover, liquidity of the market and fees and expenses. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication of the inverse performance of the Index at any time.

**19. 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 USD25 million. Investors may not be able to recover their investments and suffer a loss when the Product is terminated.

**How has the Product performed?**

Note: With effect from 8 September 2021, Rafferty Asset Management LLC ceased to be the investment adviser of the Product. The performance of the Product prior to 2021 was achieved under circumstances that no longer apply. The investment strategy of the Product was also clarified that the scope of USD denominated investment products includes also other money market funds (either recognised jurisdiction money market funds or non-recognised jurisdiction money market funds) in accordance with the requirements of the Code on 22 March 2021.

- 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, with dividend reinvested.
- 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: 26 September 2016.



**Is there any guarantee?**

The Product 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 by you when trading the Product on the SEHK****Fees****What you pay****Brokerage fee**

Market rates

**Transaction levy**0.0027%<sup>1</sup> of the trading price**SEHK trading fee**0.005%<sup>2</sup> of the trading price**Stamp duty**

Nil

1. Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.
2. 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 NAV of the Product which may affect the trading price.

**Annual rate (as a % NAV)****Management fee\***

0.99%

The Product pays a management fee to the Manager.

**Trustee's and Registrar's fee\***

0.12%, subject to a monthly minimum of USD10,000 (which is waived for the first 12 calendar months from 26 September 2016), plus a fee of USD15 per Participating Dealer per transaction (to the Registrar)

**Performance fee**

Nil

**Administration fee**

Included in the Trustee's fee

\* Please note that these fees may be increased up to a permitted maximum on giving 1 month's notice to unitholders. Please refer to the section of the prospectus entitled "Fees and Expenses" for further details of the fees and charges payable and the permitted maximum of such fees allowed as well as other ongoing expenses that may be borne by the Product

**Other fees**

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

**Additional information**

The Manager will publish important news and information with respect to the Product (including in respect of the Index), both in the English and in the Chinese languages, on the Manager's website at [7331EN.chinaamc.com.hk](http://7331EN.chinaamc.com.hk) including:

- (a) the Prospectus and this statement (as revised from time to time);
- (b) the latest annual and semi-annual financial reports (in English only);
- (c) any notices relating to material changes to the Product which may have an impact on Unitholders such as material alterations or additions to the Prospectus or the Product's constitutive documents;
- (d) any public announcements made by the Product, including information with regard to the Product and Index, the notices of the suspension of the calculation of the NAV, suspension of creation and redemption of Units, changes in fees and the suspension and resumption of trading;
- (e) the near real time indicative NAV per Unit updated every 15 seconds throughout each dealing day in HKD;

- (f) the last NAV of the Product in USD and the last NAV per Unit in USD and in HKD;
- (g) the ongoing charges figure and the past performance information of the Product;
- (h) the daily tracking difference, the average daily tracking difference and the tracking error of the Product;
- (i) full portfolio information of the Product (updated on a Daily basis);
- (j) a “performance simulator” 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; and
- (k) the latest list of the participating dealers and market makers.

The near real-time indicative NAV per Unit in HKD is indicative and for reference purposes only. It will be updated every 15 seconds. The near real-time indicative NAV per Unit in HKD is calculated by Interactive Data using the near real-time indicative NAV per Unit in USD multiplied by a real-time HKD:USD foreign exchange rate provided by Interactive Data Real-Time FX Rate when the SEHK is open for trading. Since the near real-time indicative NAV per Unit in USD will not be updated when the CME is closed, any change in the estimated NAV per Unit in HKD (if any) during such period is solely due to the change in the foreign exchange rate.

The last NAV per Unit in HKD is indicative and for reference purposes only and is calculated using the last NAV per Unit in USD multiplied by the HKD:USD exchange rate quoted by Reuters at 3:00pm (Hong Kong time) as of the same Dealing Day. The official last NAV per Unit in USD and the indicative last NAV per Unit in HKD will be updated on days when the SEHK is open for trading.

### **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.