

**PRODUCT KEY FACTS**  
**SSIF DCE Iron Ore Futures Index ETF**  
(a sub-fund of SSIF ETF I)



Shanxi Securities International Asset Management Limited

19 March 2020

***This is a passive exchange traded fund.***  
***This statement provides you with key information about this product.***  
***This statement is a part of the offering document.***  
***You should not invest in this product based on this statement alone.***

**Quick facts**

<b>Stock codes:</b>	USD Counter: 09047 HKD Counter: 03047
<b>Trading lot size:</b>	100 Units
<b>Manager:</b>	Shanxi Securities International Asset Management Limited
<b>Trustee:</b>	HSBC Institutional Trust Services (Asia) Limited
<b>Designated Depository Bank:</b>	HSBC Bank (China) Company Limited
<b>Ongoing charges over a year*:</b>	Estimated to be 1.82%
<b>Estimated annual tracking difference**:</b>	Estimated to be -1.33%
<b>Underlying Index:</b>	DCE Iron Ore Futures Price Index
<b>Base currency:</b>	US dollars (USD)
<b>Trading currency:</b>	USD Counter: US Dollar (USD) HKD Counter: Hong Kong Dollar (HKD)
<b>Financial year end of this fund:</b>	31 December
<b>Distribution policy:</b>	At the Manager's sole discretion. Distributions may be made out of capital or effectively out of capital as well as income at the Manager's discretion. All Units will receive distribution in USD only.
<b>Fund website:</b>	<a href="http://am.ssif.com.hk">http://am.ssif.com.hk</a> <sup>#</sup>

\* As the Sub-Fund is newly set up, this figure is a best estimate only and represents the sum of the estimated ongoing charges expressed as a percentage of the estimated average Net Asset Value ("NAV"). It may be different upon actual operation of the Sub-Fund and may vary from year to year.

\*\* This is an estimated annual tracking difference. Investors should refer to the Sub-Fund's website for information on the actual tracking difference.

# This website has not been reviewed or approved by the Securities and Futures Commission ("SFC").

**What is this product?**

The SSIF DCE Iron Ore Futures Index ETF ("**Sub-Fund**") is a sub-fund of SSIF ETF I, which is an umbrella unit trust established under Hong Kong law. The units of the Sub-Fund ("**Units**") are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). These Units are traded on the SEHK like listed stocks. The Sub-Fund is a passively managed index tracking exchange traded fund ("**ETF**") under Chapters 8.6 and 8.8 of the Code on Unit Trusts and Mutual Funds ("**Code**").

**The Sub-Fund is a passive ETF and invests in iron ore futures contracts ("DCE Iron Ore Futures Contracts") traded on the Dalian Commodity Exchange ("DCE"). The Sub-Fund is denominated in USD.**

**Objective and investment strategy**

**Objective**

The investment objective of the Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the DCE Iron Ore Futures Price Index ("**Underlying Index**"). There is no assurance that the Sub-Fund will achieve its investment objective.

**Strategy**

In order to achieve the investment objective of the Sub-Fund, the Manager will primarily adopt a full replication strategy by investing directly in DCE Iron Ore Futures Contracts so as to give the Sub-Fund the performance of the Underlying Index. In entering into the DCE Iron Ore Futures Contracts, the Manager anticipates that no more than 20% of the NAV of the Sub-Fund from time to time will be used as margin to acquire the DCE Iron Ore Futures Contracts.

Not less than 80% of the NAV of the Sub-Fund in cash (USD) will be applied by the Manager towards (i) holding cash (USD) as deposits with banks in Hong Kong and/or (ii) investing up to 80% of the NAV in money market funds denominated in different currencies such as USD, HKD and RMB (but less than 30% of the NAV in each money market fund) authorised by the SFC in accordance with the requirements of the Code. Yields from such cash and money market funds will be used to meet the Sub-Fund's fees and expenses and after deduction of such fees and expenses the remainder will be distributed by the Manager to unitholders in USD.

Other than DCE Iron Ore Futures Contracts, the Manager has no intention to invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes. The Manager will seek the prior approval of the SFC and provide at least one month's prior notice to unitholders before the Manager engages in any such investments.

The rolling strategy of the Sub-Fund will mimic that of the Underlying Index methodology so as to closely track the Underlying Index. For the Sub-Fund, the roll will take place over a 5-day period as stated in the Underlying Index methodology.

The Manager does not currently intend to enter into securities lending transactions and repurchase transactions and other similar over-the-counter transactions on behalf of the Sub-Fund. Should this intention change in the future, the SFC's prior approval will be sought and at least one month's prior notice will be given to unitholders.

## **Index**

### **General**

The Underlying Index of the Sub-Fund is the DCE Iron Ore Futures Price Index which tracks the price of DCE Iron Ore Futures Contracts.

The Underlying Index was launched on 7 April 2017 and had a base level of 1,000 on 18 October 2013. The Underlying Index is denominated in RMB (CNY).

### **Index provider**

The index provider is DCE. The Manager and each of its connected persons are independent of the index provider.

### **Constituents**

The Underlying Index is comprised of DCE Iron Ore Futures Contracts listed on the DCE. The specific DCE Iron Ore Futures Contracts included in the Underlying Index is the main DCE Iron Ore Futures Contract, which is the DCE Iron Ore Futures Contract with the largest open interest, and if there are two DCE Iron Ore Futures Contracts with the same open interest, then main DCE Iron Ore Futures Contract would be the contract with the larger trading volume. If there are two DCE Iron Ore Futures Contracts with same open interest and trading volume, then the one with a later expiry month would be the main DCE Iron Ore Futures Contract.

Index constituents will be available on <http://am.ssif.com.hk> and will be updated on a monthly basis.

### **Futures roll**

The Underlying Index incorporates a methodology for the replacement (also referred to as "rolling") of the main DCE Iron Ore Futures Contract with the next main DCE Iron Ore Futures Contract.

On the closing of each trading day of DCE, the main DCE Iron Ore Futures Contract is determined using the criteria mentioned in "**Constituents**" above.

The Underlying Index gradually reduces the weighting of the main DCE Iron Ore Futures Contract and increases the weighting of the next main DCE Iron Ore Futures Contract over a five consecutive business day period so that on the first day of the roll-over period the main DCE Iron Ore Futures Contract represents 80% and the next main DCE Iron Ore Futures Contract represents 20% of the Underlying Index, and on the 5<sup>th</sup> day of the roll-over period the next main DCE Iron Ore Futures Contract represents 100% of the Underlying Index.

If, on the last trading day of DCE two months prior to the settlement date of the then main DCE Iron Ore Futures Contract, no new main DCE Iron Ore Futures Contract is identified, there will be a mandatory rolling. In such circumstance, the then main DCE Iron Ore Futures Contract will be rolled-over to the next main DCE Iron Ore Futures Contract with a later expiry month (i.e. the DCE Iron Ore Futures Contract with the second largest open interest and with a later expiry month), over a 5-day roll-over period mentioned above.

**Index information**

Wind Code: DCEIOFI

For further details, please refer to the website of the index provider at <http://www.dce.com.cn/>.

**Use of derivatives / investment in derivatives**

The Sub-Fund's net derivative exposure may be more than 50% but up to 100% of the Sub-Fund'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 Sub-Fund's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

**2. New product risk**

- The Sub-Fund is a futures-based ETF investing directly in DCE Iron Ore Futures Contracts. The novelty and untested nature of such an ETF and the fact that the Sub-Fund is one of the first few futures-based ETFs in Hong Kong makes the Sub-Fund potentially riskier than traditional ETFs investing in equity securities.
- The Sub-Fund is the first exchange traded fund managed by the Manager. As such, the Manager will substantially make use of and rely upon the risk management tools to support the investments of the Sub-Fund. In the event of a breakdown or disruption in such tools, the operations of the Sub-Fund may be adversely affect.

**3. Iron ore market risk**

- *Concentration / single commodity risk:* As the exposure of the Sub-Fund is concentrated in the iron ore market, it is more susceptible to the effects of iron ore price volatility than more diversified funds.
- *Iron ore commodity volatility risk:* Iron ore prices are highly volatile and may fluctuate widely and may be affected by numerous events or factors such as production decisions by other iron ore producers, complex interaction of supply and demand of iron ore, economic conditions, speculator's activities and financial market conditions.

**4. Futures contracts risk**

- *Contango risk:* A "roll" occurs when a new main DCE Iron Ore Futures Contract is determined and is replaced in the Underlying Index with the next main DCE Iron Ore Futures Contract. Where the Underlying Index is calculated with reference to these DCE Iron Ore Futures Contracts, the value of the Underlying Index (and so the NAV per Unit) may be adversely affected by the cost of rolling positions forward (due to the increased price of the DCE Iron Ore Futures Contract, i.e. "contango").
- *Volatility risk:* The price of DCE Iron Ore Futures Contracts can be highly volatile and is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments.
- *Leverage risk:* Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a DCE Iron Ore Futures Contract may result in a proportionally high impact and substantial losses to the Sub-Fund, having a material adverse effect on the NAV. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.
- *Liquidity risk:* The Underlying Index is calculated with reference to DCE Iron Ore Futures Contracts exposing the Sub-Fund and the investors to a liquidity risk linked to DCE Iron Ore Futures Contracts which may affect their value.
- *Margin risk:* Generally, most leveraged transactions, such as DCE Iron Ore Futures Contracts, involve the

posting of margin or collateral. Increases in the amount of margin or collateral or similar payments may result in the need for the Sub-Fund to liquidate its investments at unfavourable prices in order to meet margin or collateral calls. This may result in substantial losses to unitholders.

#### **5. Risk of material non-correlation with spot/current market price of iron ore**

- As the Underlying Index is based upon DCE Iron Ore Futures Contracts but not on physical iron ore, the performance of the Underlying Index may substantially differ from the current market or spot price performance of the iron ore. Accordingly, the Sub-Fund may underperform a similar investment that is linked to the spot price of iron ore.

#### **6. Position limits risk**

- The DCE has stipulated speculative position limits for DCE Iron Ore Futures Contracts. Based on the roll-over schedule, these speculative position limits are not currently expected by the Manager to affect the Sub-Fund, although the Manager cannot guarantee that the circumstances (such as rolling schedule, DCE Iron Ore Futures Contracts' expiry dates) will remain unchanged. If the Sub-Fund exceeds a speculative position limit, its ability to seek additional exposure by acquiring further DCE Iron Ore Futures Contracts as a result of new creations of Units could be impaired, the Sub-Fund's ability to achieve its investment objective could be affected and, as a result, the Manager could be required to suspend new creations of Units. This may result in divergence between the trading price of the Unit and the NAV per Unit.

#### **7. Government intervention and restriction**

- There may be substantial government intervention in the economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. Governments and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, a ban on "naked" short selling or the suspension of short selling for certain stocks. Such interventions may be unpredictable, affect the trading, operation and market making activities of the Sub-Fund and may also lead to an increased tracking error for the Sub-Fund. Furthermore, such market interventions may have a negative impact on the market sentiment which may in turn affect the performance of the Underlying Index and as a result the performance of the Sub-Fund. In worst case scenario, the investment objective of the Sub-Fund cannot be achieved.

#### **8. Investment in other funds risk**

- The Sub-Fund may invest in money market funds authorised by the SFC. Although such funds will be regulated in Hong Kong, the Sub-Fund will be exposed to the risk of investing in another management company's fund with all the related risks which attach to funds generally and bear the fees and expenses of the underlying funds. These charges will be in addition to the fees payable by the Sub-Fund.

#### **9. Trading differences risk**

- As the DCE may be open when Units in the Sub-Fund are not priced, the value of any iron ore futures contracts in the Sub-Fund's portfolio may change substantially when investors will not be able to purchase or sell the Sub-Fund's Units. Further the price of DCE Iron Ore Futures Contracts listed on the DCE may not be available during part of or all of the SEHK trading sessions due to trading hour differences which may result in Units of the Sub-Fund being traded at a premium or discount of the Unit price to its NAV.

#### **10. Other currency distribution risk**

- Investors should note that all Units will receive distribution in USD only. In the event that the relevant unitholder has no USD account, the unitholder may have to bear the fees and charges associated with the conversion of such distribution from USD to HKD or other currency. The unitholder may also have to bear bank or financial institution fees and charges associated with the handling of the distribution payment. Unitholders are advised to check with their brokers regarding arrangements for distributions.

#### **11. Emerging market risk**

- The Sub-Fund may invest in Mainland China. Investing in the Mainland China market is subject to the risks of investing in emerging markets which may involve increased risk and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risk, settlement risk, custody risk and the likelihood of a high degree of volatility.

#### **12. Currency exchange risk**

- Assets of the Sub-Fund may be denominated in currencies other than USD and the underlying DCE Iron Ore Futures Contracts are denominated in RMB, whilst the Sub-Fund is denominated in USD. The Sub-Fund is subject to transaction costs in the exchange of such other currencies to USD. The performance and the NAV of the Sub-Fund may therefore be affected unfavourably by movements in the exchange rate between USD and such other currencies and changes in exchange rate control policies.

**13. Dual counter trading risk**

- If there is a suspension of the inter-counter transfer of Units between the counters and/or any limitation on the level of services by brokers and CCASS participants, unitholders will only be able to trade their Units in the relevant counter on the SEHK, which may inhibit or delay an investor dealing.
- The market price on the SEHK of Units traded in USD and of units traded in HKD may deviate significantly. As such investors may pay more or receive less when buying or selling Units traded in USD on the SEHK than in respect of Units traded in HKD and vice versa.

**14. Reliance on market makers risk**

- Although the Manager ensures that at least one market maker will maintain a market for the Units traded in each counter and that at least one market maker to each counter gives not less than 90 days prior written notice 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 no or only one market maker for the USD or HKD traded Units. There is also no guarantee that any market making activity will be effective.

**15. Tracking error risk**

- The Sub-Fund may be subject to tracking error risk, which is the risk that its performance may not track that of the Underlying Index exactly. Factors such as the fees and expenses of the Sub-Fund, inability to rebalance the Sub-Fund's holdings of Futures Contracts to track the Underlying Index, rounding of the Futures Contracts' prices, and changes to the regulatory policies may affect this tracking error. The Manager will monitor and seek to manage such risk minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

**16. 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 Sub-Fund's 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. Termination risks**

- The Sub-Fund may be terminated early under certain circumstances, for example, where the Underlying Index is no longer available for benchmarking or if the size of the Sub-Fund falls below USD 10 million. Investors may not be able to recover their investments and suffer a loss when the Sub-Fund is terminated.

**18. Passive investment risk**

- The Sub-Fund is passively managed and the Manager will not have the discretion to adapt to market changes due to the inherent investment nature of the Sub-Fund. Falls in the Underlying Index are expected to result in corresponding falls in the value of the Sub-Fund.

**19. PRC tax risk**

- There are risks and uncertainties associated with the current PRC tax laws, regulations and practice in respect of the trading of DCE Iron Ore Futures Contracts (which may have retrospective effect). Any increased tax liabilities on the Sub-Fund may adversely affect the Sub-Fund's value.
- Based on professional and independent tax advice, the Manager does not intend to make any PRC tax provision on the trading of DCE Iron Ore Futures Contracts.

**20. Risk relating to distributions paid out of capital**

- Payment of distributions out of or effectively out of capital represents a return or a withdrawal of part of the amount they originally invested or capital gain attributable to that amount. Any such distributions may result in an immediate reduction of the NAV per Unit of the Sub-Fund.

**How has the fund performed?**

Since the Sub-Fund is newly set up, there is insufficient data to provide a useful indication of past performance to investors.

**Is there any guarantee?**

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

**What are the fees and charges?**

Please refer to the section entitled “**Fees and Expenses**” of the Prospectus for details of other fees and expenses.

**Charges incurred when trading the Sub-Fund on the SEHK**

<b>Fees</b>	<b>What you pay</b>
Brokerage fee	Market rates
Transaction levy	0.0027% <sup>1</sup> of the trading price
Trading fee	0.005% <sup>2</sup> of the trading price
Stamp duty	Nil
Inter-counter transfer	HKD5 <sup>3</sup>

<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.

<sup>3</sup> HKSCC will charge each CCASS participant a fee of HKD5 per instruction for effecting an inter-counter transfer from one counter to another counter. Investors should check with their brokers regarding any additional fees.

**Ongoing fees payable by the Sub-Fund**

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the NAV of the Sub-Fund which may affect the trading price.

<b>Fees</b>	<b>Annual rate (as a % of the Sub-Fund's value)</b>
Management fee*	1.2% per annum
Trustee and Registrar fee*	0.10% per annum for the first USD50 million of the NAV and 0.08% per annum for the remaining balance of the NAV, subject to a monthly minimum of USD10,000
Performance fee	Nil
Administration fee	Nil

\* Please note that some 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 Charges**” 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 Sub-Fund.

**Other fees**

You may have to pay other fees when dealing in the Units of the Sub-Fund.

**Additional information**

The Manager will publish important news and information in respect of the Sub-Fund (including in respect of the Underlying Index), in both English and Chinese languages (unless otherwise specified) at the following website <http://am.ssif.com.hk>, including:

- the Prospectus and this Product Key Facts Statement of the Sub-Fund (as amended and supplemented from time to time);
- the latest audited annual and unaudited interim financial reports of the Sub-Fund in English;
- any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund and the Underlying Index, notices of the suspension of the calculation of NAV, changes in fees and charges and the suspension and resumption of trading of Units and notices relating to material changes to the Sub-Fund that may have an impact on its investors, including notices for material alterations or additions to the Prospectus or the Sub-Fund's Product Key Facts Statement or constitutive documents;
- the near real-time indicative NAV per Unit of the Sub-Fund (updated every 15 seconds throughout each Dealing Day in the base currency of the Sub-Fund and in each trading currency) during normal trading hours on the SEHK;

- the last NAV in the base currency and last NAV per Unit of the Sub-Fund in the base currency and in each trading currency (updated on a daily basis);
- the full composition of the Sub-Fund (updated on a daily basis)
- the composition of dividends for the Sub-Fund for a rolling 12-month period (i.e. the relative amounts paid out of (i) net distributable income, and (ii) capital (if any));
- the annual tracking difference and tracking error of the Sub-Fund;
- the ongoing charges figure and past performance information of the Sub-Fund;
- the latest list of participating dealers and market makers; and
- A “performance simulator” of the Sub-Fund, which allows investors to select a historical time period and simulate the performance of the Sub-Fund vis-à-vis the spot price of iron ore during that period based upon historical data.

The near real time estimated NAV per Unit in HKD referred to above is indicative and for reference only. This is updated every 15 seconds during SEHK trading hours and is calculated using the near real-time indicative NAV per Unit in USD multiplied by a real-time USD:HKD foreign exchange rate provided by Wind Information (HK) Company Limited when the SEHK is opened 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.