

**Fubon Leveraged & Inverse Series  
Fubon FTSE Taiwan Daily (2x) Leveraged Product**
**Issuer: Fubon Fund Management (Hong Kong) Limited**
**30 April 2024**

- This is a leveraged product. It is different from conventional exchange traded funds as it seeks leveraged investment results relative to the Underlying 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 leveraged performance of the Underlying Index over the period.
- This product is designed to be used for short term trading or hedging purposes, and it is not intended for long term investment.
- This product only targets sophisticated trading-oriented investors who understand the potential consequences of seeking Daily leveraged 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>  | 7232   |
| <b>Trading board lot size:</b>  | 100 units  |
| <b>Manager:</b>   | Fubon Fund Management (Hong Kong) Limited  |
| <b>Trustee:</b>   | Cititrust Limited  |
| <b>Registrar:</b>   | Computershare Hong Kong Investor Services Limited  |
| <b>Ongoing charges over a year<sup>#</sup> (annual average daily ongoing charges<sup>##</sup>):</b> | 2.32% (0.01%)  |
| <b>Actual average daily tracking difference<sup>###</sup>:</b>                                      | 0.00%  |
| <b>Underlying Index:</b>  | FTSE Taiwan RIC Capped Index   |
| <b>Base currency:</b>   | USD  |
| <b>Trading currency:</b>  | HKD  |
| <b>Dividend policy:</b>   | The Manager does not intend to pay or make any distributions or dividends                                    |
| <b>Financial year end:</b>  | 31 December  |
| <b>Product website:</b>   | <a href="http://www.fubonETF.com.hk">www.fubonETF.com.hk</a> (This website has not been reviewed by the SFC) |

<sup>#</sup> The ongoing charge figure is based on the expenses for the year ended 31 December 2023. It represents the ongoing expenses chargeable to the Product as a percentage of the average net asset value of the Product (the "Net Asset Value"). This figure may vary from year to year.

<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 2023. This figure may vary from year to year.

<sup>###</sup> This is the actual average daily tracking difference for the year ended 31 December 2023. Investors should refer to the Product's website for up to date information on the actual daily tracking difference and actual average daily tracking difference.

## What is this product?

- Fubon FTSE Taiwan Daily (2x) Leveraged Product (the “**Product**”) is a sub-fund of Fubon Leveraged & Inverse Series, which is an umbrella unit trust established under Hong Kong law. 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 spot month SGX FTSE Taiwan Index Futures traded on the Singapore Exchange (“**SGX**”) (the “**Index Futures Contracts**”) so as to give the Product the twice (2x) the Daily performance of the Underlying Index.
- The Product is denominated in USD. Creations and redemptions are in USD only.

## Objective and investment strategy

### Objective

The investment objective of the Product is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the Daily performance of the FTSE Taiwan RIC Capped Index (the “**Underlying 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 leveraged performance of the Underlying Index or performance of the Product, means the leveraged performance of the Underlying 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 Index Futures Contracts, subject to the rolling strategy discussed below, to obtain the required exposure to the Underlying Index.

In entering the spot month Index Futures Contracts, the Manager anticipates that not more than 40% of the Net Asset Value of the Product from time to time will be used as margin to acquire the Index Futures Contracts. Under exceptional circumstances (e.g. increased margin requirement by the exchange and/or futures brokers in extreme market turbulence), the margin requirement may increase substantially.

Not less than 60% 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 (USD or HKD) and cash equivalents (e.g. short-term deposits) denominated in USD or HKD.

### Daily rebalancing

The Product as a leveraged product will rebalance its position on a day when the SGX, the SEHK and the Taiwan Stock Exchange (the “**TWSE**”) are open for normal trading (i.e. a Business Day). On each Business Day the Product will seek to rebalance its position at or around the close of trading of the Index Futures Contracts, by increasing exposure in response to the Underlying Index’s Daily gains or reducing exposure in response to the Underlying Index’s Daily losses, so that its Daily leverage exposure ratio to the Underlying 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 Index Futures Contracts into next month Index Futures Contracts with the goal that, by one Business Day before the last trading day of the spot month Index Futures Contracts, all roll over activities would have occurred. The rolling of the Index Futures Contracts will start three Business Days before the last trading day of the spot month Index Futures Contracts, and be completed no later than one Business Day before the last trading day of the spot month Index Futures Contracts.

### **Underlying Index**

The FTSE Taiwan RIC Capped Index represents the performance of Taiwan large and mid capitalization stocks. Securities are weighted based on their free float-adjusted market capitalization and reviewed semi-annually. To limit concentration in any single security, constituents are capped quarterly so that no more than 20% of the Underlying Index's weight may be allocated to a single constituent and the sum of the weights of all constituents representing more than 4.5% of the Underlying Index should not exceed 48% of the total index weight. The Underlying Index is derived from the FTSE Global Equity Index Series, which covers 99% of the world's investable market capitalisation.

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

The Underlying Index was launched on 29 September 2017 and had a base level of 1,000 on 16 June 2000. As at 29 March 2024, it comprised 122 constituent stocks with net market capitalisation of approximately USD 1,336,319 million. The base currency of the Underlying Index is New Taiwan Dollars. The Underlying Index which the Product tracks is the New Taiwan Dollars version of the master index, the base currency of which is USD.

The Underlying Index is compiled and managed by FTSE International Limited (the "**Index Provider**"). The Manager and each of its connected persons are independent of the Index Provider.

### **Underlying Index constituents**

You can obtain the list of the constituents of the Underlying Index, their respective weightings, the closing level and additional information of the Underlying Index including the index methodology from the website of the Index Provider at <https://www.lseg.com/en/ftse-russell/indices/capped> (This website has not been reviewed by the SFC).

### **Underlying Index code**

Bloomberg Ticker: FTCRTWRP

## **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. General investment risk**

- The Product is a derivative product and not suitable for all investors. There is no guarantee of the repayment of principal. The Product's investment portfolio may fall in value due to any of the key risk factors below and therefore your investment in the Product may suffer substantial/total losses.

### **2. Leverage risk**

- The Product will utilise leverage to achieve a Daily return equivalent to twice (2x) the return of the Underlying Index. Both gains and losses will be magnified. The risk of loss resulting from an investment in the Product in certain circumstances including a bear market will be substantially more than a fund that does not employ leverage.

### 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 leveraged performance of the Underlying Index over that same period (e.g. the loss may be more than twice the fall in the Underlying Index).
- The effect of compounding becomes more pronounced on the Product's performance as the Underlying Index experiences volatility. With higher Underlying Index volatility, the deviation of the Product's performance from the leveraged performance of the Underlying Index will increase, and the performance of the Product will generally be adversely affected.
- As a result of Daily rebalancing, the Underlying 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 Underlying Index's performance increases or is flat.

### 4. 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.

### 5. 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 Index Futures Contracts, 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.

### 6. 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 Index Futures Contracts. As such, return for investors that invest for a period less than a full trading day may be greater than or less than two times (2x) leveraged investment exposure to the Underlying Index, depending upon the movement of the Underlying Index from the last rebalancing until the time of purchase.

### 7. Portfolio turnover risk

- Daily rebalancing of the 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.

### 8. 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. An extremely high degree of leverage is typical of a futures trading account. 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 (due to the higher price of the futures contract with a later expiration date) 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.

**9. Trading time differences risk**

- The SGX, the SEHK and the TWSE have different trading hours. Investors will not be able to purchase or sell the Product's Units when the SEHK is not open for trading, even when the SGX and/or the TWSE is/are open for trading and the value of the Underlying Index and/or the Index Futures Contracts may continue to change. Difference in trading hours between the SGX, the SEHK and the TWSE may increase the level of premium/discount of the Unit price to its Net Asset Value.
- As a result of the different trading hours of the SGX, the SEHK and the TWSE, the degree of imperfect correlation between the value of the Product, the Underlying Index constituents and the Index Futures Contracts may increase when any one of the exchanges is closed while the other exchange(s) is/are open, which may prevent the Product from achieving its investment objective.

**10. Difference in price limit risk**

- The Product's investment objective is to provide investment results that closely correspond to twice (2x) the Daily performance of the Underlying Index. Although the Underlying Index is an equity index, the Product invests in the Index Futures Contracts. The daily price limit for stocks of the Underlying Index constituents trading on the TWSE (which is  $\pm 10\%$  the auction reference price at market opening for the given day) and the daily price limit for the Index Futures Contracts (where a 10-minute "cooling off period" is triggered by a price movement of  $\pm 10\%$  from the previous day's daily settlement price ("DSP") after which the limit is  $\pm 15\%$  from the previous day's DSP for the rest of the trading day) are different. As such, should the daily price movement of the Index Futures Contracts be greater than the price limit of Underlying Index constituents, this may prevent the Product from achieving its investment objective.

**11. Volatility risk**

- Prices of the Product may be more volatile than conventional exchange traded funds because of using leverage and the Daily rebalancing activities.

**12. Taiwan market risks**

- The Underlying Index represents the performance of large and mid capitalisation stocks in Taiwan which is an emerging market. Investments in the Product may therefore involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties (such as changes in the government in Taiwan or its policies regarding inward investment), legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

**13. Concentration risk**

- As the Underlying Index constituents concentrate in stocks in Taiwanese companies, 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 market.

**14. Currency risk**

- Assets of the Product may be denominated in currencies other than USD (the base currency of the Product). While the Index Futures Contracts are denominated in USD, the constituents of the Underlying Index are denominated in New Taiwan Dollars. The performance and the Net Asset Value of the Product may be affected unfavourably by movements in the exchange rates between USD and such other currencies and by changes in exchange rate control policies.

**15. Passive investments risks**

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

**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 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.

**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 reduce the correlation between the performance of the Product and the two times (2x) Daily performance of the Underlying Index. 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 two times (2x) the Daily performance of the Underlying Index at any time, including on an intra-day basis.

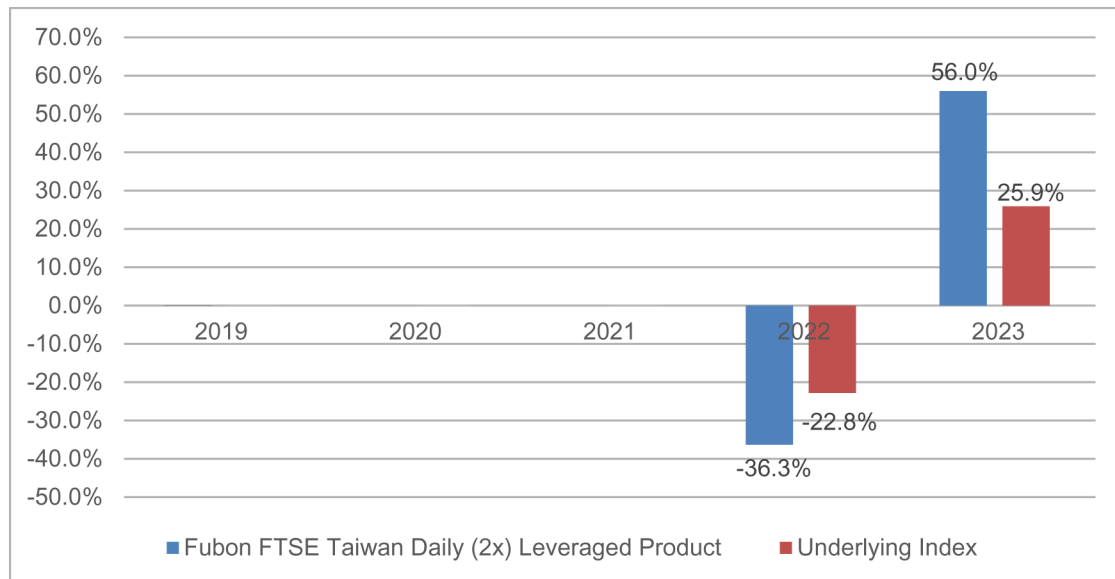
**18. Termination risk**

- The Product may be terminated early under certain circumstances, for example, where there is no market maker, the Underlying Index is no longer available for benchmarking or if the size of the Product falls below USD 5 million. Any amount recovered 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 of the Product, it should be noted that liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Units. The Manager will seek to mitigate this risk by ensuring that at least one market maker gives not less than 3 months’ notice prior to terminating market making arrangement under the relevant market maker agreement. It is possible that there is only one SEHK market maker for the Product, or the Manager may not be able to engage a substitute market maker within the termination notice period of a market maker. 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 the performance of the Product is based on the calendar year ended, NAV-To-NAV, with dividend reinvested.
- The graph shows by 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 two times the 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 two times the 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.
- Underlying Index: FTSE Taiwan RIC Capped Index
- Product launch date: 28 May 2021.

## 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

| <u>Fee</u>   | <u>What you pay</u>                        |
|--|--|
| Brokerage fee  | Market rates                               |
| Transaction levy   | 0.0027% <sup>1</sup> of the trading price  |
| Trading fee  | 0.00565% <sup>2</sup> of the trading price |
| Accounting and Financial Reporting Council (“AFRC”) transaction levy | 0.00015% of the trading price <sup>3</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 0.00565% of the trading price of the Units, payable by each of the buyer and the seller.

<sup>3</sup> AFRC transaction levy of 0.00015% 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 of the Product which may affect the trading price.

| <u>Fee</u>         | <u>Annual rate (as a % of the Product’s Net Asset Value)</u>     |
|--------------------|--|
| Management fee*    | 0.99% p.a.   |
| Trustee fee*       | 0.09% p.a., subject to a monthly minimum of USD3,000 per Product |
| Performance fee    | Not applicable   |
| Custodian fee      | Included in the Trustee fee                                      |
| Administration fee | Included in the Trustee fee                                      |

\* Please note that such a fee may be increased up to a permitted maximum rate by providing 1 week’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 Units of the Product.



## Additional Information

The Manager will publish important news and information with respect to the Product (including in respect of the Underlying Index), in the English and Chinese languages (unless otherwise specified), on the Manager's website at [www.fubonETF.com.hk](http://www.fubonETF.com.hk) (This website has not been reviewed by the SFC) including:

- the Prospectus and this statement (as revised from time to time);
- the latest audited annual and unaudited interim financial reports of the Product in English;
- any public announcements made by the Product, including information in relation to the Product and the Underlying Index, notices of the suspension of the creation and redemption of Units, the suspension of the calculation of Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units;
- any notices relating to material changes to the Product that may have an impact on its investors, including notices for material alterations or additions to the Prospectus or this statement or the Product's constitutive documents;
- the near real time indicative Net Asset Value per Unit of the Product (updated every 15 seconds throughout each dealing day in USD and HKD) during normal trading hours on the SEHK;
- the last Net Asset Value of the Product in USD, and last Net Asset Value per Unit of the Product in USD and HKD (updated on a Daily basis);
- the actual daily tracking difference, the actual average daily tracking difference and the tracking error of the Product;
- the full portfolio composition of the Product (updated on a Daily basis);
- the ongoing charges figures and past performance information of the Product;
- 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 Underlying Index during that period based on historical data;
- the last closing level of the Underlying Index; and
- the latest list of the participating dealers and market makers.

The near real-time indicative Net Asset Value per Unit in HKD and the last Net Asset Value per Unit in HKD are indicative and for reference purposes only. The near real-time indicative Net Asset Value per Unit in HKD uses a real-time USD:HKD foreign exchange rate – it is calculated using the near real-time indicative Net Asset Value per Unit in USD multiplied by a real-time USD:HKD foreign exchange rate provided by Bloomberg when the SEHK is opened for trading. The last Net Asset Value per Unit in HKD is calculated using the last Net Asset Value per Unit in USD multiplied by an assumed foreign exchange rate using the USD:HKD exchange rate quoted by Bloomberg at 4.00 p.m. (Hong Kong time) as of the same dealing day 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.