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Look for Thematic Opportunities Amid Market Turmoil

AUTHOR: Yi Wang, Gillian Du

Takeaway

- The Fed is expected to forecast a QE exit plan at its September FOMC meeting at the earliest this year, and the next market focus will be how to exit QE.
- Policy-friendly sectors are preferred in current strict regulation cycle, such as cloud computing, new energy and smart driving industrial chain.
- Chinese government bonds can act as the safe haven and provide stable incomes in portfolios in face of high policy risks and low economic momentum.

Macro Views

【Global】

- **The minutes of the Fed's meeting in July indicate that most committee members believe it is reasonable to start tapering this year**. The Federal announced that it would keep asset purchasing until the two major goals of price stability and full employment achieved "Substantial Further Progress."
  - **From the perspective of price stability**: At present, US inflation has made substantial further progress. As the economy reopened, second-hand car prices, hotel prices and transportation fares rose, pushing up inflation data to continue to beat expectations. Data in July showed that inflationary pressures in the United States has slowed down. Core inflation in the United States (excluding volatile food and energy prices) rose by 0.3% month-on-month, resulting in a slight decline in the annual inflation from 4.5% to 4.3%, which was basically in line with market expectations.
  - **From the perspective of full employment:** Federal Reserve officials predict[1] that in 2021, the unemployment rate will recover to 2/3 of the rate as of the end of 2020, reflecting that the job market has recovered to the level as strong as before Covid-19. According to calculations based on this standard, as of July 2021, the market has restored 4,318,000 jobs. As long as the monthly job target of approximately 570,000 new jobs is ensured in the next five months, it may meet the conditions for the Fed to taper. Based on the current pace of labor market recovery, market consensus on the median of the non-farm employment in August is now 750,000, meaning that

[1] "Assessing progress as the economy moves from reopening to recovery", speech by Ms Lael Brainard, Member of the Board of Governors of the Federal Reserve System, at "Rebuilding the Post-Pandemic Economy" 2021 Annual Meeting of the Aspen Economic Strategy Group, Aspen, Colorado, 30 July 2021

the probability of achieving "substantial further progress" in the labor market is within this year high.

- **As the Fed issued clearer policy guidance, meanwhile non-farm employment data maintained strong in the second quarter, the Fed might forecast taper at its September meeting and announce its QE exit plan at its November meeting this year**, and the next market focus will be how to exit QE. Currently, the Fed's asset purchase plan consists of US$80 billion in Treasury bonds and US$40 billion in mortgage-backed bonds (MBS) per month. The Fed said previously that it would not reduce MBS purchases earlier than it had planned, so currently market initial estimation is that the Fed will reduce the purchasing to US$15 billion per month (US$10 billion in Treasury bonds and US$5 billion in MBS) until it completely exits QE in June 2022.

【China】

- **CPC Central Committee Meeting held on 30 July, analysing current situation and deploying economic work guideline for 2021H2.**
  - **Government Investment expected to underpin the economy in 2021H2** as we see significant slowdown of the economy. Government bond issuance has been slow this year, with remaining issuance budget for treasury bonds and local government bonds RMB 2.4 and 2.6 trillion respectively as of the end of July.
  - Maintain reasonably sufficient liquidity to carry on prudent monetary policy, and continue to **emphasize that "facilitate the recovery of small and medium-sized enterprises and industries facing difficulties".** This is in line with the purpose of RRR cut ("further strengthening financial support to the real economy, especially micro, small and medium-sized enterprises, and promote the steady decline of comprehensive financing costs") as mentioned in the State Council Executive Meeting on 7 July.
  - **Emphasize to ensure the supply and price stability of commodities.** Commodity supply and price control brought to the CPC Central Committee level for the first time this year.
  - **Industrial policy highlighting technological innovation,** including 1). "Strengthening the toughness of technological innovation and industrial/supply chain", "bottleneck areas being mentioned specifically; 2). Mentioned new energy vehicle industry for the first time to support accelerated development; 3). For "double carbon policy", emphasized orderly promotion and to correct the irrational campaign for "carbon reduction"; 4). Real estate industry continues to emphasize that "houses for living not for speculative investment", and "Three-child Policy" supporting policies will be introduced soon.

- **Following the stricter supervision on Internet Platforms, Education Sector has also seen the "Double Reduction" regulation; China market significantly affected by policies.** Regulation on internet and education sectors have become stricter, especially the education industry which has been hit fundamentally. Besides the formal policies, capital market has also seen endless media pressure, such as criticizing gaming sector as "spiritual opium", questioning internet companies should not enjoy tax benefits, and organizing industry meeting to discuss the market order of Chinese liquor industry, which led to negative impact on market sentiment, and significant decline in offshore China stocks. In the short term, uncertainties may last for a while, resulting in sideway drift; while in the long term, it is a global trend to implement more transparent and comprehensive regulation on internet companies, and the structural changes may eventually become conductive to the sustainable development of the sector.

Overview of Recent Regulatory Policies and Industry Events

Time	Policies	Sectors
2020/11/3	Listing of Ant Financials A+H postponed; CBIRC, together with PBOC and other related departments drafted the "Interim Measures for the Administration of Online Microfinance business (Draft for Comments)"	Fintech
2020/12/24	The State Administration of Market Supervision filed a case for investigation on the monopoly behaviour of Alibaba Group in accordance with the Anti-monopoly Law	Internet Anti-monopoly
2021/2/7	The Anti-monopoly Commission of the State Council issued the "Anti-monopoly Guidelines for Platform Economy"	Internet Anti-monopoly
2021/4/10	The State Administration of Market Supervision imposed administrative penalties on Alibaba Group's monopoly behaviour (force to choose one out of two platforms) and fined RMB 18.228 billion	Internet Anti-monopoly
2021/6/10	Released "National Data Security Law"	Internet – Data Security
2021/7/2	Started network security review on DIDI	Internet – Data Security
2021/7/7	The State Administration of Market Supervision made administrative punishment decisions on 22 cases of illegal concentration of business operators in the Internet field according to law	Internet Anti-monopoly
2021/7/10	The State Internet Information Office issued "Measures for Network Security Review (Revised Draft for Comments)", requiring operators with personal information of more than 1 million users to apply for network security review before listing abroad	Internet – Data Security
2021/7/24	The General Office of the CPC Central Committee and the General Office of the State Council jointly issued "Opinions on Further Reducing the Homework Burden and After-school Training Burden of Students in the Stage of Compulsory Education" (commonly known as the "Double Reduction"), ordered training institutions to be registered as non-profit institutions, and prohibited from listed financing and capitalized operation; existing violations to be cleaned up and rectified	Education (K12 Training)
2021/7/26	The State Administration of Market Supervision, together with other seven departments, jointly issued "Guidelines on Implementing the Responsibility of Online Catering Platform and Effectively Safeguarding the Rights and Interests of Takeout Waiters", emphasizing the protection of labour income and labour safety	Internet – Catering
2021/8/20	The State Network Information Office, the Ministry of Public Security and other five departments jointly issued "Provisions on Automobile Data Security Management (for Trial Implementation)", which will come into force on October 1st. The regulations further restrict the data collected by relevant organizations such as automobile manufacturers.	Automobiles

Source：Official Releases, CITIC Securities, summarized by CSOP

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2801-2803, Two Exchange Square, 8 Connaught place, Central, Hong Kong

【ETF Views】

<table>
<tr><th>Class</th><th>View</th><th>Code</th><th>ETF Names</th></tr>
<tr><td rowspan="3">Money Market</td><td rowspan="4">China's economic recovery remains uneven and lacked momentum in July. In terms of financial data, Chinese total social financing in July was less than expected, and the growth of medium and long-term loans to enterprises and residents weakened. In terms of economic data, the manufacturing PMI fell to 50.4 in July, the pace of manufacturing expansion slowed down; the average growth rate of total retail sales of consumer goods in two years was 3.6%, showing the slow consumption recovery.

With the weakening economic momentum and the high volatilities in stock market due to the policy uncertainties, the “monetary easing and credit tightening” pattern is expected to continue, the liquidity environment is relatively ample. The hedging function of rate bonds is prominent, and capital inflows continue. We maintain the overweight rating of Chinese rate bonds.</td><td>3053.HK</td><td>CSOP Hong Kong Dollar Money Market ETF</td></tr>
<tr><td>9096.HK</td><td>CSOP US Dollar Money Market ETF</td></tr>
<tr><td>3122.HK</td><td>CSOP RMB Money Market ETF</td></tr>
<tr><td>Fixed Income</td><td>3199.HK</td><td>CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF</td></tr>
<tr><td rowspan="4">A Shares</td><td rowspan="4">A-share market finished mixed, and large-cap stocks are still under pressure. ChiNext index is still the best performer in the YTD basis, but high valuation is its largest risk. In the current environment of high volatilities, it is suggested to choose sectors with good earnings and reasonable valuation, like CSI 500 Index. We maintain the overweight rating of CSI 500 index:
Earnings: In Q1 2021, the net profit attributable to parent the CSI 500 index increased by 85.6%, much higher than the 36.16% of CSI 300 Index. As of August 8, a total of 191 constituent stocks have disclosed semi-annual report performance forecasts. The disclosed forecast of net profit growth rate is 44% year-on-year, and the market expectation of annual net profit growth rate is 49% year-on-year.
Valuations: Supported by the high earning growth, the valuation of CSI</td><td>2822.HK</td><td>CSOP FTSE China A50 ETF</td></tr>
<tr><td>3149.HK</td><td>CSOP MSCI China A Inclusion Index ETF</td></tr>
<tr><td>3005.HK</td><td>CSOP CSI 500 ETF</td></tr>
<tr><td>3147.HK</td><td>CSOP SZSE ChiNext ETF</td></tr>
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	500 index becomes even lower with the index price levels rising. Its PE (TTM) dropped from 28.44x at the end of last year to 22.57x on August 12, and the ten-year P/E percentile rank was only 8.64%, which is an absolute historical low level.	3109.HK	CSOP STAR 50 Index ETF
HK Stocks	The recent sharp drop in Hong Kong stocks is mainly due to the policy uncertainties and media pressure, and the continued outflow of funds. The market is expected to remain volatile in the next one to two months, but the recent regulation is beneficial for the long-term healthy development of the industry. From a long-term perspective, the current valuation is at a trough, and we maintain the overweight rating of the CSOP Hang Seng TECH Index ETF. In the short term, in spite of the continuing volatilities, it is suggested to not exit at a low level and even try to buy on dips.	3033.HK	CSOP Hang Seng TECH Index ETF
		3037.HK	CSOP Hang Seng Index ETF
Thematic	Many global technology giants have announced their Q2 2021 results, and achieved high growth in their cloud computing business. Besides, most of the leading cloud computing companies are US companies, which are immune to China's regulation cycle, and may continue to provide investors with stable positive returns. We maintain the recommendation to allocate **CSOP Global Cloud Computing Technology Index ETF (3194.HK)**. In addition, in a strong regulatory environment, it is recommended to deploy sectors relatively safe from the policy cycle. • Benefited from carbon neutrality goal, solar photovoltaics is expected to keep its growth momentum. So we upgrade the recommendation rating for A-share photovoltaic industry in the short-term; • The industry policy is cantered on "scientific and technological innovation", and the semiconductor, battery, and electric vehicle sectors are supported. • We maintain overweighting on 5G communications sector because 1) 5G is a rare sector with a reasonable or even low valuation; 2) 5G infrastructure construction is accelerating; 3) Q3 is always the peak season for mobile phones.	3167.HK	ICBC CSOP S&P NEW CHINA SECTORS ETF
		3193.HK#	CSOP Yinhua CSI 5G Communications Theme ETF#
		3194.HK	CSOP Global Cloud Computing Technology Index ETF
		3134.HK	CSOP Huatai-PineBridge CSI Photovoltaic Industry ETF^
		3174.HK	CSOP China Healthcare Disruption Index ETF
		3162.HK	CSOP Global Smart Driving Index ETF

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Note: Views cover the future 1 month. The rank of recommendation is:

Green	>	Grey	>	Red
Overweight		Neutral		Underweight

*CSOP Yinhua CSI 5G Communications Theme ETF is a feeder fund. Its master fund, Yinhua CSI 5G Communication ETF, is not authorized by the Securities and Futures Commission for direct offering to the public in Hong Kong. ^CSOP Huatai-PineBridge CSI Photovoltaic Industry ETF is a feeder fund. Its master fund, Huatai-PineBridge CSI Photovoltaic Industry ETF, is not authorized by the Securities and Futures Commission for direct offering to the public in Hong Kong

【L&I Views】

The Hong Kong stock market has been under pressure recently, and the Hang Seng Index fell nearly 10% in July. From the perspective of technical analysis, the 60-quarter moving average (23,300 as of August 20, 2021) is the long-term support line for the Hang Seng Index. At present, the Hang Seng Index may have downside potential. It is recommended to use the inverse products for Hang Seng (7300/7500) to resist the short-term downturn. However, once the Hang Seng Index hits the 60-quarter moving average, it is suggested to use the Hang Seng Index Daily (2x) Leveraged Product (7200.HK) to catch the rebound.

The AH premium level remains high, and the Hang Seng Stock Connect China AH Premium Index was 137.91 on July 30, 2021. Given that the AH premium trading strategy is generally valid in the process when the long-run mean reversion to 130 level, we still suggest to **long 7333.HK and 7200.HK (short CSI 300 vs long HSI)**.

The Capital Flows of Leveraged & Inverse Products (Million HKD)

Class	Code	L&I Product Name	In/Out
A Shares	7233.HK	CSOP CSI 300 Index Daily (2x) Leveraged Product	0
	7333.HK	CSOP CSI 300 Index Daily (-1x) Inverse Product	-21.54
	7248.HK	CSOP FTSE China A50 Index Daily (2x) Leveraged Product	0
	7348.HK	CSOP FTSE China A50 Index Daily (-1x) Inverse Product	0
HK Stocks	7200.HK	CSOP Hang Seng Index Daily (2x) Leveraged Product	1065.11
	7300.HK	CSOP Hang Seng Index Daily (-1x) Inverse Product	-84.52
	7500.HK	CSOP Hang Seng Index Daily (-2x) Inverse Product	-2713.63
	7288.HK	CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product	89.59
	7588.HK	CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product	-18
	7226.HK	CSOP Hang Seng TECH Index Daily (2x) Leveraged Product	1396.17
	7552.HK	CSOP Hang Seng TECH Index Daily (-2x) Inverse Product	-138.36
US Stocks	7568.HK	CSOP NASDAQ-100 Index Daily (-2x) Inverse Product	55.13
	7266.HK	CSOP NASDAQ-100 Index Daily (2x) Leveraged Product	0

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Commodities	7299.HK	CSOP Gold Futures Daily (2x) Leveraged Product^	-24.67

Source: Bloomberg, from 1 July 2021 to 31 July 2021. Green-Capital Inflow, Red-Capital Outflow, Grey- No Capital Flow

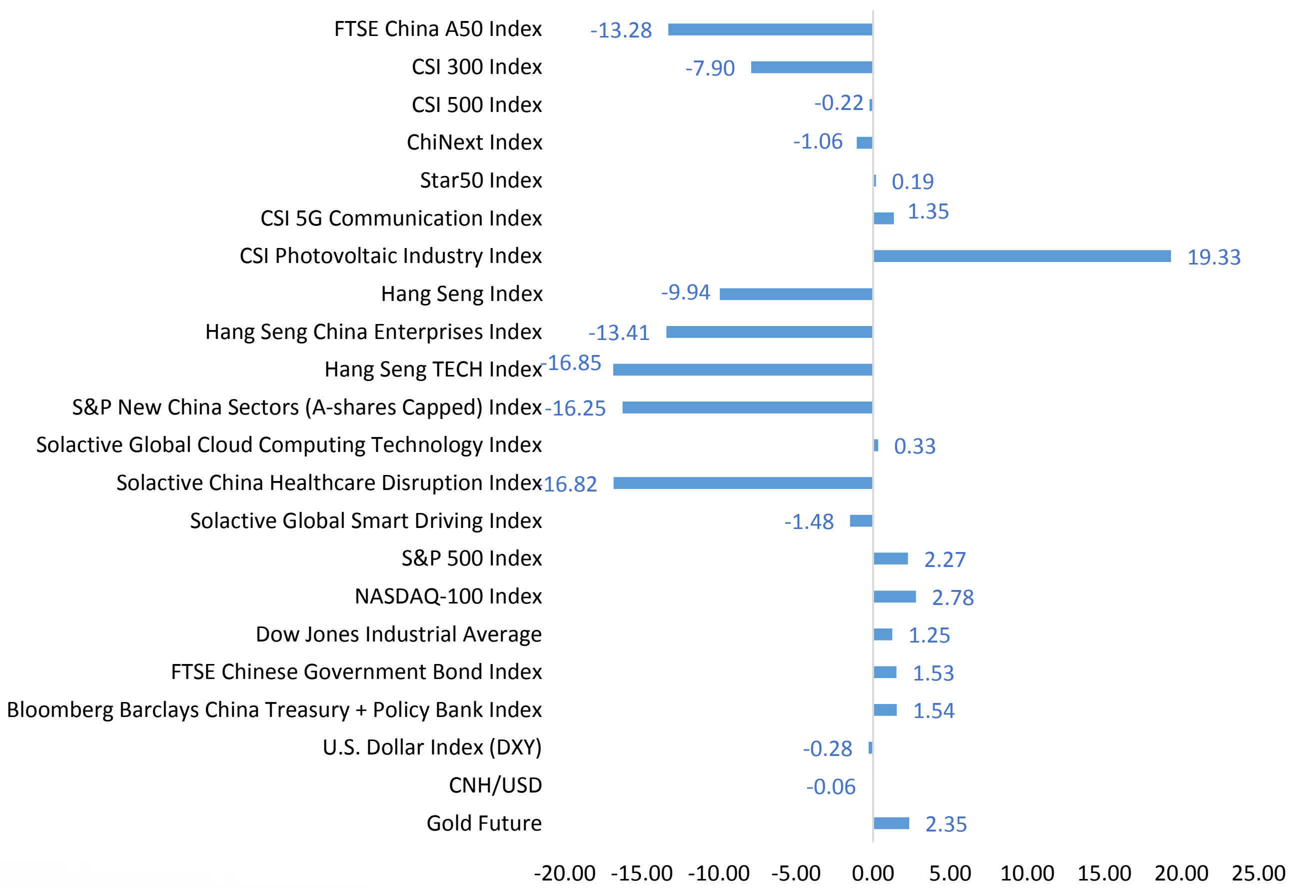
^: The investment objective of the CSOP Gold Futures Daily (2x) Leveraged Product (the "Product") is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the Daily performance of the Solactive Gold 1-Day Rolling Futures Index (the "Index"). The Index consists of only gold futures whose price movements may deviate significantly from the gold spot price. The Product does not seek to deliver a leveraged return of gold spot price.

Market Overview

US stocks performed stably, and A-share solar photovoltaic soared a lot.

- A-share broad based indexes were weak, and large-cap stocks are under large corrections, but solar photovoltaic sector soared a lot. CSI photovoltaic industry index rose 19.33% in July.
- With frequent fluctuations in policy expectations, the valuations of overseas Chinese stocks were under pressure.
- Chinese government bonds remain resilient, with both FTSE Chinese Government Bond Index and Bloomberg Barclays China Treasury + Policy Bank Index hitting new highs this year.

Monthly Return (%)



Source: Bloomberg, monthly return: 30/6/2021 - 31/7/2021

2021 Year-to-date and Range (%)

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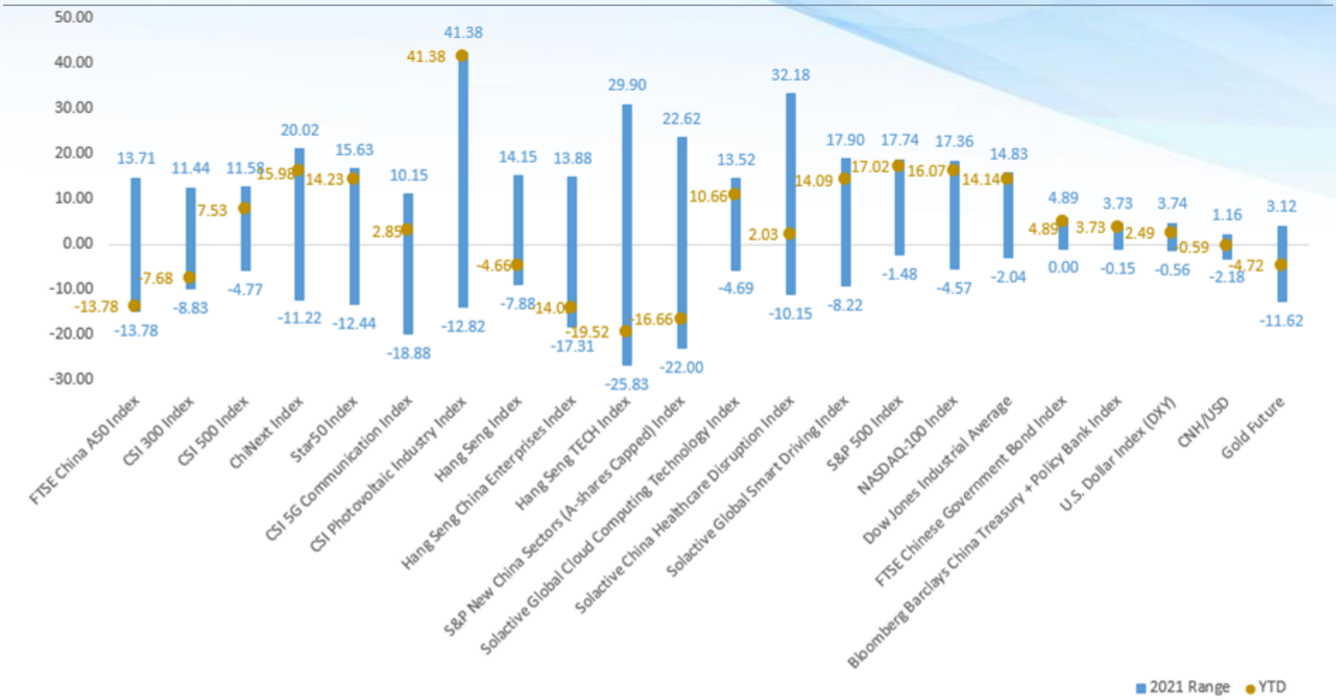

Source: Bloomberg, as of 31 July 2021. The two ends of the blue bars show the lowest and highest returns at any point this year to date, and the gold dots represent current year-to-date returns. FTSE China A50 Index, CSI 500 Index, S&P New China Sectors (A-shares Capped) Index, and CSI 500 Index are net total return indexes. Gold future refers to the excess return index of Solactive Gold 1-Day Rolling Futures Index. Bloomberg Barclays China Treasury + Policy Bank Index is the total return index. The remaining are price index.

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- Investors of Listed and Unlisted Classes are subject to different types of risks. For example, Investors of the Listed Class are exposed to reliance on market makers risk and dual-counter risk.

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CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (the "Sub-Fund")

- CSOP Bloomberg Barclays China Treasury + Policy Bank Bond Index ETF (the "Sub-Fund") is subject to risk associated with debt securities, such as credit / counterparty risk, interest rate risk, volatility and liquidity risk, downgrade risk, sovereign debt risk, valuation risk, credit rating risk and credit agency risk.
- The Sub-Fund is an investment fund. There is no guarantee of the repayment of principal. Therefore your investment in the Sub-Fund may suffer losses.
- Generally, retail investors can only buy or sell Units on SEHK. The trading price of the Units on SEHK is subject to market forces and may trade at a substantial premium or discount to the NAV per Unit.

CSOP FTSE China A50 ETF

- There is no assurance that The CSOP FTSE China A50 ETF ("ETF") will achieve its investment objective and investors may not get back part of or the entire amount they invest.
- The ETF is one of the first RMB physical A-share exchange traded funds issued outside PRC to invest directly in the A-share market which is inherently a market with restricted access. Investing solely in China market may also subject the ETF to emerging market risk (such as greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks) and concentration risk.
- The market price on the SEHK of units traded in RMB and of units traded in HKD may deviate significantly due to different factors such as market liquidity, supply and demand in each counter and the exchange rate between RMB and HKD (in both onshore and offshore markets).
- The units of the ETF are traded on the SEHK. Their prices on the SEHK are based on secondary market trading factors and may deviate significantly from the net asset value of the ETF and may trade at a substantial premium or discount to its NAV.

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- CSOP MSCI China A Inclusion Index ETF (the "Fund") is a physical index tracking ETF and it aims to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of MSCI China A Inclusion Index ("Underlying Index").
- China is considered as an emerging market and investing in China market may subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks than investing in more developed countries.
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- The Sub-Fund is to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the CSI 500 Index (the "Underlying Index"). There is no assurance that the Sub-Fund will achieve its investment objective.
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective. It 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 may result in a corresponding fall in the value of the Sub-Fund.
- Generally, retail investors can only buy or sell units of the Sub-Fund on the SEHK. The trading price of the units on the SEHK is driven by market factors and may trade at a substantial premiums or discount to its NAV.

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- CSOP SZSE ChiNext ETF (the "Sub-Fund") is a physical ETF and invests primarily in China A-Shares listed on the ChiNext board of the Shenzhen Stock Exchange of the People's Republic of China primarily through the Renminbi Qualified Foreign Institutional Investor status of the Manager and/or the Shenzhen-Hong Kong Stock Connect. The Sub-Fund is denominated in RMB.
- Listed companies in the ChiNext market (e.g. innovative or small/medium sized enterprises) are usually in their preliminary stage of development with smaller operating scale and shorter operating history, and their businesses are usually subject to higher uncertainty and more fluctuations in their performance. Therefore, its stability and resistance to market risks may be lower.
- Retail investors can only trade units of the Sub-Fund on the SEHK. The trading price of the units may be different from the Sub-Fund's NAV and even at a significant discount/premium to its NAV.

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- The Sub-Fund's investments are concentrated in companies with a technology theme. Many of the companies with a high business exposure to a technology theme have a relatively short operating history. Technology companies are often characterised by relatively higher volatility in price performance when compared to other economic sectors. Companies in the technology sector also face intense competition, and there may also be substantial government intervention, which may have an adverse effect on profit margins. Rapid changes could render obsolete the products and services offered by these companies. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences.
- 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.

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- China is considered as an emerging market and investing in China market may involve increased risks such as liquidity risks, currency risks/control, political and economic uncertainties, legal/regulatory and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.
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- The Sub-Fund invests substantially in the Master ETF, and may therefore be subject to the risks associated with the Master ETF. The performance of the Sub-Fund depends on the price of the Master ETF. The ability of the Sub-Fund to meet its investment objective is also largely dependent on the Master ETF.
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CSOP CSI 300 Index Daily (2x) Leveraged Product, CSOP CSI 300 Index Daily (-1x) Inverse Product (the "Product")

- 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.
- 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 / inverse performance of the CSI 300 Index (the "Index") over that same period. The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility.
- 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.
- The Index consists of A-Shares which may only be bought or sold from time to time where the relevant A-Shares may be sold or purchased on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, as appropriate. Given that the A-Shares market is considered volatile and unstable (with the risk of suspension of a particular stock or government intervention), such high market volatility and potential settlement difficulties in the A-Shares market may result in significant fluctuations in the prices of the securities traded on the A-Shares market and thereby may adversely affect the Product.

CSOP Hang Seng Index Daily (2x) Leveraged Product, CSOP Hang Seng Index Daily (-1x) Inverse Product, CSOP Hang Seng Index Daily (-2x) Inverse Product, CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product, CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product (the "Product")

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- 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.
- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks.

CSOP NASDAQ-100 Index Daily (-2x) Inverse Product, CSOP NASDAQ-100 Index Daily (2x) Leveraged Product (the "Product")

- 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.
- The Product is not suitable 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/ inverse performance of the NASDAQ-100 Index ("Index") over that same. The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility.
- 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.
- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks.
- 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.

CSOP Gold Futures Daily (2x) Leveraged Product

- Solactive Gold 1-Day Rolling Futures Index ("Index") consists of only gold futures whose price movements may deviate significantly from the gold spot price. The Product does not seek to deliver a leveraged return of gold spot price.
- 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.
- The Product will utilise leverage to achieve a Daily return equivalent to twice (2x) the return of the 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.
- 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 Index over that same period. The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility.
- 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.
- Investment in futures contracts involves specific risks such as high volatility, leverage, rollover and margin risks.

CSOP Hang Seng TECH Index Daily (2x) Leveraged Product and CSOP Hang Seng TECH Index Daily (-2x) Inverse Product ("Products")

- The Products are derivative products and are not suitable for all investors. There is no guarantee of the repayment of principal. Therefore your investment in the Products may suffer substantial or total losses.
- The Products are 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/inverse performance of the Index over that same period. The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility.
- 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 Products will lose money over time while the Index's performance falls/decreases or is flat.
- The constituents of the Index are concentrated in companies with a technology theme. Many of the companies with a high business exposure to a technology theme have a relatively short operating history. Technology companies are often characterised by relatively higher volatility in price performance when compared to other economic sectors.
- The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Units may trade at a substantial premium or discount to the NAV.

CSOP FTSE China A50 Index Daily (2x) Leveraged Product and CSOP FTSE China A50 Index Daily (-1x) Inverse Product ("Products")

- The Products are derivative products and are not suitable for all investors. There is no guarantee of the repayment of principal. Therefore your investment in the Products may suffer substantial or total losses.
- The Products are 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/inverse performance of the Index over that same period. The effect of compounding becomes more pronounced on the Product's performance as the Index experiences volatility.
- 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 Products will lose money over time while the Index's performance increases/decreases or is flat.
- The Index constituents are companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange which is an emerging market. Investments of the Products may involve increased risks and special considerations not typically associated with an investment in more developed markets, such as liquidity risks, currency risks/control, political and

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economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

- The trading price of the Units on the SEHK is driven by market factors such as the demand and supply of the Units. Units may trade at a substantial premium or discount to the NAV.

The CSOP STAR 50 Index ETF

- The CSOP STAR 50 Index ETF (the "Sub-Fund") is a sub-fund of the CSOP ETF Series OFC, which is a public umbrella open-ended fund company established under Hong Kong law with variable capital with limited liability and segregated liability between sub-funds. The Sub-Fund is a physical ETF and invests primarily in China A-Shares listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (the "STAR Board") of the People's Republic of China primarily through the Renminbi Qualified Foreign Institutional Investor status of the Manager and/or the Shanghai-Hong Kong Stock Connect. 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 SSE Science and Technology Innovation Board 50 Index (the "Index"). The Sub-Fund is denominated in RMB.
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- The Index is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- Investments in the STAR Board may result in significant losses for the Sub-Fund and its investors.
- The Sub-Fund's investments are concentrated in companies focusing on technology innovation. Many of the companies focusing on technology innovation have a relatively short operating history. Technology companies are often characterised by relatively higher volatility in price performance when compared to other economic sectors. Companies in the technology sector also face intense competition, and there may also be substantial government intervention, which may have an adverse effect on profit margins. Rapid changes could render obsolete the products and services offered by these companies. These companies are also subject to the risks of loss or impairment of intellectual property rights or licences, cyber security risks resulting in undesirable legal, financial, operational and reputational consequences. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The Sub-Fund's investments are concentrated in a single geographical region (i.e. mainland China) and the STAR market. As such, it may be subject to greater volatility than broad-based funds.
- Mainland China is considered an emerging market and investments in the mainland China market may be subject to greater economic, political, tax, foreign exchange, regulatory, volatility and liquidity risks, than that in more developed countries. The A-Shares market is volatile and unstable (e.g. due to suspension of particular stocks or government intervention) than those in more developed markets.
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Sub-Fund's NAV.

CSOP Hang Seng Index ETF

- CSOP Hang Seng Index ETF (the "Sub-Fund") is a sub-fund of the CSOP ETF Series III, which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking exchange traded fund authorised under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds. The units of the Sub-Fund are traded on the Stock Exchange of Hong Kong Limited (the "SEHK") essentially like shares.
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve their respective investment objectives.
- 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 value of the Hang Seng Index (the "Underlying Index") may result in a corresponding fall in the value of the Sub-Fund.
- The Sub-Fund's investment in equity securities is subject to general market risks, whose value may fluctuate due to various factors, such as changes in investment sentiment, political and economic conditions and issuer-specific factors.
- The Underlying Index tracks the performance of companies incorporated in, or with the majority of revenue derived from, or with a principal place of business in, the Greater China region and in particular Hong Kong listed securities of specific industry sectors. The NAV of the Sub-Fund is therefore likely to be more volatile than a more broad-based fund, such as a global or regional fund, as the Underlying Index is more susceptible to fluctuations in value resulting from adverse conditions in a single region.
- Generally, retail investors can only buy or sell units of the Sub-Fund on the SEHK. The trading price of the units on the SEHK is driven by market factors, such as the demand and supply of units, and may trade at a substantial premiums or discount to its NAV.

CSOP Global Cloud Computing Technology Index ETF

- CSOP Global Cloud Computing Technology Index ETF (the "Sub-Fund") is a passively managed index tracking ETF authorised under Chapter 8.6 of the Code on Unit Trusts and Mutual Funds. The shares of the Sub-Fund (the "Shares") are traded on the Stock Exchange of Hong Kong Limited (the "SEHK") like stocks. The Sub-Fund is a physical ETF and invests primarily in US and Hong Kong listed companies that have business operations in the field of cloud computing. The Sub-Fund is denominated in USD.
- The Sub-Fund is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.

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- The Solactive Global Cloud Computing Technology Index (the "Index") is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Index is subject to geographical concentration risks as a result of tracking the performance of primarily the US and Hong Kong listed companies that have business operations in the field of cloud computing. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US and Hong Kong markets.
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Sub-Fund's NAV.

CSOP Huatai-PineBridge CSI Photovoltaic Industry ETF

- CSOP Huatai-PineBridge CSI Photovoltaic Industry ETF (the "Sub-Fund") is a sub-fund of the CSOP ETF Series OFC ("Company"), which is a public umbrella open-ended fund company established under Hong Kong law with variable capital with limited liability and segregated liability between sub-funds. The Sub-Fund is a feeder fund and a passively managed index tracking exchange traded fund ("ETF") authorised under Chapters 7 and 8.6 of the Code on Unit Trusts and Mutual Funds. The shares of the Sub-Fund (the "Shares") are traded on the Stock Exchange of Hong Kong Limited (the "SEHK") like stocks.
- The Sub-Fund is a feeder fund which in seeking to achieve its investment objective, will invest at least 90% of its NAV in the Huatai-PineBridge CSI Photovoltaic Industry ETF (the "Master ETF") via the RQFII status granted to the Manager. Investment in units of the Master ETF by the Sub-Fund will be made via the secondary market (i.e. through the SSE).The Master ETF is an exchange traded fund listed on the SSE that tracks the performance of the Index. The Master ETF is authorised by the SFC for the sole purpose of being master fund of the Sub-Fund and will not be directly offered to the public in Hong Kong.
- The Sub-Fund and the Master ETF are not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund and the Master ETF will achieve their respective investment objectives.
- The Sub-Fund invests substantially in the Master ETF, and may therefore be subject to the risks associated with the Master ETF. The performance of the Sub-Fund depends on the price of the Master ETF. The ability of the Sub-Fund to meet its investment objective is also largely dependent on the Master ETF.
- The performance of the Sub-Fund may deviate from the performance of the Master ETF due to the Sub-Fund's holdings in investments other than the Master ETF, as well as the Sub-Fund's fees and expenses. While the Sub-Fund seeks to minimise the tracking difference / tracking error arising from the Master ETF, there is no guarantee that the Sub-Fund may achieve such objective via investments other than investment in the Master ETF, due to various factors (e.g. timing differences / delays in adjusting the Sub-Fund's investments).
- Companies related to the photovoltaic industry or photovoltaic industrial chain may be subject to significant volatility in growth rates due to rapidly changing market conditions and/or participants, more advanced or new technologies, new competing products and/or enhancements in existing products. The photovoltaic industry is heavily dependent on patents and intellectual property rights and/or licences. The profitability of companies related to the photovoltaic industry may be adversely impacted by the loss or impairment of these intellectual property assets.
- Such companies may also be subject to unpredictable changes in competition. There is no assurance that products or services offered by the issuers of the constituents of the Index will not be rendered obsolete or be adversely affected by competing products, or that such companies will not be adversely affected by other challenges, such as instability, fluctuation, or an overall decline within the photovoltaic industry.
- Companies related to the photovoltaic industry may also be affected by regulatory risks, government intervention and political risks.
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Sub-Fund's NAV.

CSOP China Healthcare Disruption Index ETF

- CSOP China Healthcare Disruption Index ETF (the "Sub-Fund") is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- Solactive China Healthcare Disruption Index (the "Index") is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history
- The Index is subject to concentration risk as a result of tracking the performance of companies active in the innovative fields in the healthcare sector. This may result in greater volatility in the value of the Sub-Fund than more diverse portfolios which comprise broad-based investments.
- The Index is subject to geographical concentration risks as a result of tracking the performance of primarily Hong Kong listed companies that have business operations in the field of healthcare sector in mainland China, Hong Kong, Taiwan and Macau. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Hong Kong market and places where these companies have business operations including mainland China, Taiwan and Macau
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Sub-Fund's NAV

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CSOP Global Smart Driving Index ETF

- CSOP Global Smart Driving Index ETF (the "Sub-Fund") is not principal guaranteed and your investments may suffer losses. There is no assurance that the Sub-Fund will achieve its investment objective.
- Solactive Global Smart Driving Index (the "Index") is a new index. The Sub-Fund may be riskier than other exchange traded funds tracking more established indices with longer operating history.
- The Index is subject to concentration risk as a result of tracking the performance of companies active in the smart driving sector. This may result in greater volatility in the value of the Sub-Fund than more diverse portfolios which comprise broad-based investments. Although the companies are based worldwide, the Index is subject to geographical concentration risks as a result of tracking the performance of primarily the US, PRC mainland and Hong Kong listed companies that have business operations in the field of smart driving. The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the US, PRC mainland and Hong Kong markets.
- The trading price of the Shares on the SEHK is driven by market factors such as the demand and supply of the Shares. Therefore, the Shares may trade at a substantial premium or discount to the Sub-Fund's NAV

Please note that the above listed investment risks are not exhaustive and investors should read the relevant Prospectus in detail before making any investment decision.

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2801-2803, Two Exchange Square, 8 Connaught place, Central, Hong Kong