Embrace China's Rate Bonds with WGBI Inclusion Approaching

Takeaway

- Taper in 2021 becomes the market consensus, but US debt ceiling crisis becomes one of the largest uncertainties in the market.
- Under the pressure of economic downturn in China, we suggest to overweight safe assets like Chinese rate bonds, which are supported by the easing bias of policy, downtrend of interest rates and the inflow from index inclusion.
- Continue recommend policy-friendly sectors with solid long-term growth logic such as cloud computing, new energy, and smart driving.

Macro Views

【Global】

- **The U.S. debt ceiling crisis has become one of the biggest sources of market uncertainties.** The debt ceiling is the total amount of money that the United States government is authorized to borrow by US congress to meet its existing legal obligations. As the US debt keeps increasing, suspending the debt ceiling has become a regular practice since 2013. However, the last US debt ceiling suspension ended on 31 July 2021, leading to the debt ceiling crisis and risks of government shutdown and technical default on US Treasury bonds. US Treasury Secretary Yellen even said that failure to raise or suspend debt limit would have "catastrophic consequences" that could bring on "a financial crisis and economic recession".

  Currently, the risk of government shutdown temporarily eased, but the next urgent deadline is approaching. On September 30 in the US, US President Joe Biden signed a provisional appropriation bill to extend government funding until December 3, avoiding s shutdown of the government. In addition to funding the government, the bill includes US$28.6 billion for the hurricane disaster relief and US$6.3 billion for the resettlement of Afghan refugees. However, after December 3, Congress must either adopt another short-term fix, known as "continuing resolution", or approve a set of appropriations bills that could boost federal agencies' spending into FY 2022. Besides, U.S. Treasury Secretary Yellen warned that the United States will likely run out of cash and extraordinary measures by October 18 unless Congress takes action.

  The market generally expects that the US Congress will resolve the debt ceiling issue on time and the two parties will eventually reach an agreement, but attention still needs to be paid to the emergence of black swan.

- **September FOMC meeting suggested that the Fed may decide to start taper at next FOMC meeting (November) at the earliest, and interest rate hikes may be initiated in 2022.** In the September FOMC meeting, the Fed maintained its current interest rate target and the pace of asset purchases. Fed Chairman Powell said that the Fed will announce the results of its assessment of full employment and price stability and decide whether to start reducing the scale of asset purchases in November FOMC meeting at the earliest. Fed officials generally view that a gradual tapering of the purchases concluding around the middle of next year would likely be appropriate if the economic

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recovery stays on track. Tapering this year has been fully priced in, and it is expected that the start of QE exit plan will bring limited disturbance to the market.

- **The global energy crisis is intensifying. With the soaring prices of natural gas, coal, oil and other energies, energy costs have accounted for 8.75% of global GDP, reaching the highest level since 2013.** The increases in energy prices in the past three and six months are close to the extreme levels of 2008. Due to the sharp rise in energy prices, many countries have issued warnings about power cuts and factory closures. In China, the record increase in coal prices make thermal power plants face huge possible losses, and power cuts and factory closures have occurred in more than 10 provinces. In Europe, natural gas price has hit a record high, and natural gas storage inventories have fallen to 16%, below the five-year average and even continue to a historical low in September. Natural gas price experienced the similar rapid increase in the United States to hit a new high in the past 10 years. In addition, with demand recovery continues, crude oil inventories are also shrinking. As of October 2, 2021, WTI crude oil prices have exceeded US$75 per barrel after rising for five consecutive weeks.

【China】

- **Chinese economic growth slowed down, and the power cuts and factory closures under dual control of energy consumption may pose more downturn pressure.**
  - In September, China's official manufacturing PMI fell 0.5 ppt to 49.6%, which was lower than market expectation of 50% and fell into a contraction range. It is mainly affected by energy use restrictions, especially for high-energy-consuming industries in the midstream and upstream.
  - The impact of the COVID-19 epidemic has ebbed. In September, the service industry PMI rose by 5.8ppt to 53.2%, returning to the expansion range.
  - The recovery of household consumption is still weak. The total retail sales of consumer goods industry in August increased by 2.5% year-on-year, significantly lower than market expectations of 7.4%. Online consumption was strong during the previous epidemic rebound, but it also fell sharply in August round of COVID pandemic. It may reflect that the impact of the epidemic on consumption is not short-term.

- **Progress has been made in connectivity of Chinese Internet platforms.** After the Ministry of Industry and Information Technology (MIIT) launched specific measures in early September to require Internet platforms to stop blocking normal access to one another's website links, many Internet platforms tare taking actions. The current progress mainly focuses on the connectivity of online payment, but there is still a long way to go to fully realize connectivity of Internet platforms.

China's Internet Platform Connectivity Progress

Date	Event	Parties involved
9th Sep	The relevant business departments of MIIT held the "Administrative Guidance Meeting on Blocking Website Links" to put forward compliance standards for instant messaging software and required all platforms to remove the blocking in accordance with the standards on September 17, otherwise disposal measures will be taken according to law.	Chinese Internet platforms, such as Alibaba, Tencent, Byte dance, Baidu, etc.
13th Sep	Zhao Zhiguo, a spokesperson for MIIT and the director of the Information and Communications Administration Bureau, emphasized. enterprises are required to follow the rectification requirements and	

	pragmatically promote a step-by-step and phase-by-phase solution to realize connectivity.	
17th Sep	WeChat issued a statement on the adjustment of the "WeChat External Links Content Management Specification", and the external link management will be opened phase by phase. WeChat stated that under the guidance of regulatory authorities, external link management measures will be implemented step by step and phase by phase.	Tencent & external platforms
28th Sep	Many Apps under Alibaba, such as Ele.me, Youku, Damai, Kaola, Shuqi, have been integrating WeChat Pay. Alibaba also said it is waiting on Tencent's approval to bring WeChat Pay to its used goods market place Idle Fish, grocery store app Hema and discount shopping service Taobao Deals.	Alibaba & Tencent
29th Sep	Alibaba's Alipay has opened Taobao payment and other scenarios to UnionPay's Cloud QuickPass.	Alibaba & UnionPay
30th Sep	WeChat issued an announcement stating that Tencent's WeChat Pay and UnionPay's Cloud QuickPass are promoting deeper connectivity at the payment and service levels. In the payment connectivity, WeChat Pay and UnionPay App have officially realized the mutual recognition and scanning of offline QR codes.	Tencent & UnionPay

Source: CSOP, as of October 4, 2021

- **The international index company FTSE Russell will begin to include Chinese government bonds in its World Government Bond Index (WGBI) on October 29, 2021.** The inclusion will be carried out phase by phase over a period of 36 months starting Oct. 29, and the weight of Chinese government bonds is expected to be 5.7% after the inclusion. So far, China's rate bonds have been confirmed to be included in the world's three major bond indexes. The WGBI inclusion is expected to bring an average of nearly US$4 billion of passive capital flow into Chinese government bonds each month, totaling more than US$140 billion (about more than 900 billion RMB) *. The upcoming considerable and sustainable capital inflows will provide strong supports for the performance of China's rate bonds.
(*Assuming there is US$2.5 trillion investing in WGBI, and all these passive investors will follow the index changes)

Allocation Views

【ETF Views】

Class	View	Code	ETF Names
Money Market	**The market turns to risk-off mode, while China's rate bonds remain attractive by virtue of its resilient income and the role of "ballast".** The declining risk appetite mainly comes from two aspects. For one thing, China's economy is under great downward pressure. Industrial production is limited by energy usage restrictions, and domestic demand continues to be weak. For another, all eyes are on China's credit risk due to the Evergrande saga. In this context, more supporting fiscal policies and monetary policies are expected to be	3053.HK 9096.HK 3122.HK	CSOP Hong Kong Dollar Money Market ETF CSOP US Dollar Money Market ETF CSOP RMB Money Market ETF

Fixed Income	launched in 4Q 2021. Another RRR (Reserve Requirement Ratio) cut is possible if necessary, and the interest rate may trend down. In addition, the FTSE WGBI inclusion of Chinese government bonds will start at the end of October, which is expected to bring sustained passive capital inflow. The factors above will support the prices of China's rate bonds, so we maintain the view of overweight rating.	3199.HK	CSOP Bloomberg China Treasury + Policy Bank Bond Index ETF
A Shares	We hold neutral view for A-share market. In spite of the volatility of cyclical stocks, we remain overweight rating for CSI 500 index given its advantages in earning growth and valuation. • **Earnings**: The profit growth of CSI 500 index in the first quarter and the second quarter were 115.34% and 42.02% respectively. In addition, after deducting the impact of the low base effect in 2020, the two-year average net profit growth of the CSI 500 index after deducting non-recurring profits and losses in the Q2 2021 was about 46.31%, significantly higher than the CSI 300 index (7.45%) and the SSE 50 Index (-12.06%). • **Valuations**: Despit the high earning growth, the valuation of CSI 500 index becomes even lower. Its PE (TTM) dropped from 28.44x at the end of last year to 21.01x on October 4, and the ten-year P/E percentile rank was only 5.09%, an absolute historical low level further down from 8.64% in early August. • **Benefit from the current macro environment**: Historical experience shows that the performance of CSI 500 index is significantly outperform the overall market at the stage of fluctuated or weak economic data and loose policy, such as February to August 2016 and the first quarter of	2822.HK 3149.HK 3005.HK 3147.HK	CSOP FTSE China A50 ETF CSOP MSCI China A Inclusion Index ETF CSOP CSI 500 ETF CSOP SZSE ChiNext ETF

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	2019. Currently, the economic recovery is slowing down, the policy will be stable and even loose in Q4 2021, and the problem of tight supply of commodities is difficult to be solved thoroughly in the short term. The CSI 500 index will continue to benefit from the current macro environment.	3109.HK	CSOP STAR 50 Index ETF
HK Stocks	Hong Kong stocks remain weak. The Hang Seng Index hit a YTD low on October 4, and tech sector is also in a downturn. Alibaba hit a new low in the year on October 4. As the overseas market sentiment is relatively fragile, gradual liquidity tightening, the U.S. debt ceiling crisis and Evergrande incident have brought huge fluctuations to the market. It is recommended to appropriately buy the dips on condition that portfolio risk is controllable.	3033.HK	CSOP Hang Seng TECH Index ETF
		3037.HK	CSOP Hang Seng Index ETF
Thematic	Considering the uncertain short-term trend, we prefer the policy-friendly sectors with solid long-term growth logic such as cloud computing, new energy, and smart driving. • The global cloud computing sector achieved low volatility and stable return this year. The previous "state-owned cloud" incident made the market worried about the cloud computing business of Chinese private enterprises, but we believed that the growth potential of the cloud computing business of large Internet companies is hardly affected based on the following reasons. State-owned cloud is purely the behaviour of local governments and the involved local government clarified that they will not set exclusive restriction. In addition, the financial basic data centre of the people's Bank of China announced to purchase the service of Alibaba cloud technology from a single source. • As the global energy crisis intensifies, the photovoltaic industry and smart driving have high policy security, and benefit from the upgrading of the industrial chain and the new demand of traditional industries to reduce energy consumption. Besides, the photovoltaic leaders and enterprises in the upstream	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^

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		part of photovoltaic industrial chains achieved great earnings growth in the first half of 2021. The CSI photovoltaic industry index created a total net profit of RMB 25.641 billion, a year-on-year increase of 75.97%, and the net profit of the top 20 constitutes accounted for 88.5% of total profit. We maintain upbeat about 3134.HK, which covering China's photovoltaic leaders. • The healthcare sector is still at a low ebb, and bad situation has not ended. Its performance may not see improvement until the results announcement of medical insurance access negotiation in the fourth quarter.	3174.HK	CSOP China Healthcare Disruption Index ETF
			3162.HK	CSOP Global Smart Driving Index ETF

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】

Leveraged and inverse products (L&I products) become popular amid the market turmoil. Most of CSOP's L&I products gained positive capital net inflows in September.

The AH premium level soared to a YTD high on September 20 and trended down later. The Hang Seng Stock Connect China AH Premium Index was 143.38 on September 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	22.03
	7333.HK	CSOP CSI 300 Index Daily (-1x) Inverse Product	11.54
	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	554.11
	7300.HK	CSOP Hang Seng Index Daily (-1x) Inverse Product	0
	7500.HK	CSOP Hang Seng Index Daily (-2x) Inverse Product	-329.26
	7288.HK	CSOP Hang Seng China Enterprises Index Daily (2x) Leveraged Product	12.1
	7588.HK	CSOP Hang Seng China Enterprises Index Daily (-2x) Inverse Product	0

	7226.HK	CSOP Hang Seng TECH Index Daily (2x) Leveraged Product	256.51
	7552.HK	CSOP Hang Seng TECH Index Daily (-2x) Inverse Product	76.4
US Stocks	7568.HK	CSOP NASDAQ-100 Index Daily (-2x) Inverse Product	116.33
	7266.HK	CSOP NASDAQ-100 Index Daily (2x) Leveraged Product	0
Commodities	7299.HK	CSOP Gold Futures Daily (2x) Leveraged Product^	0

Source: Bloomberg, from 1 September 2021 to 30 September 2021. Green-Capital Inflow, Red-Capital Outflow, Grey- No Capital Flow

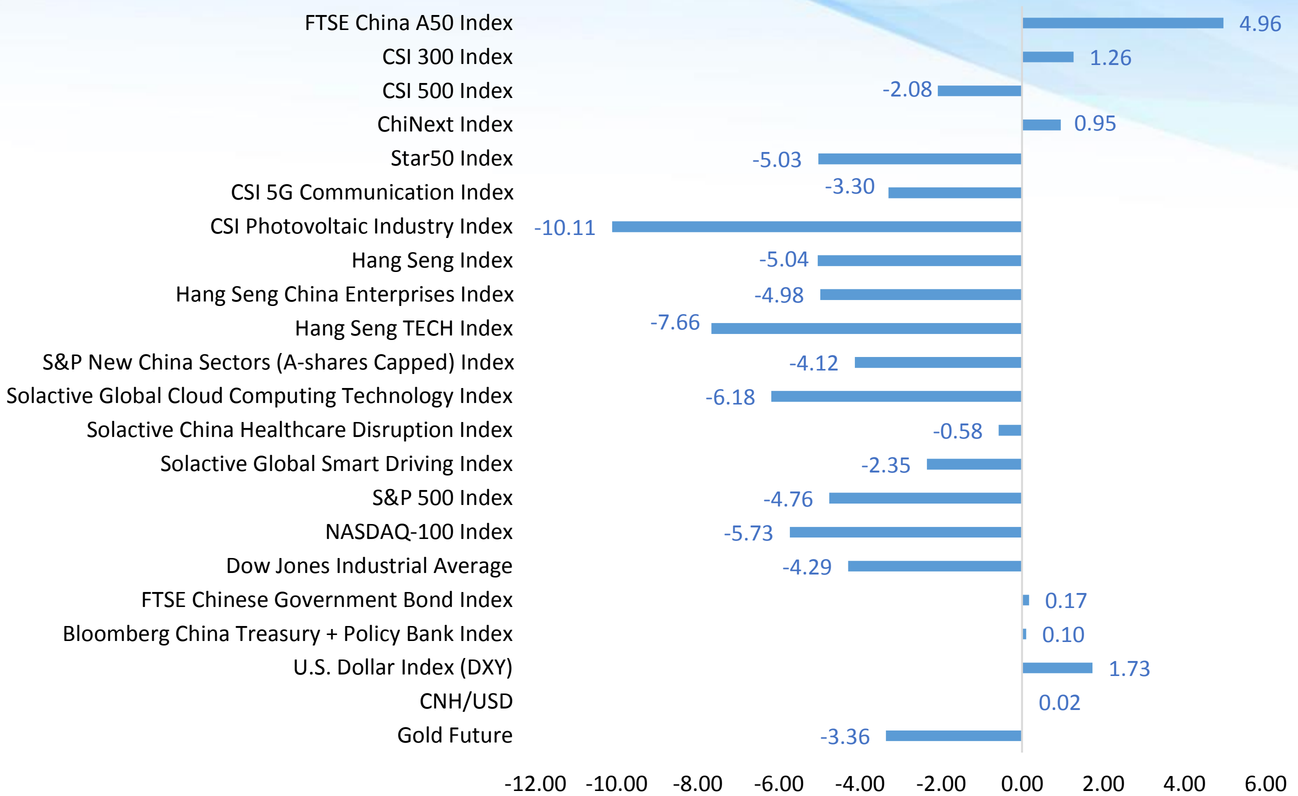
^: The investment objective of the CSOP Gold Futures Daily (2x) Leveraged Product (the "Product") is to provide investment results that, before fees and expenses, closely correspond to twice (2x) the Daily performance of the Solactive Gold 1-Day Rolling Futures Index (the "Index"). The Index consists 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

Under the resonance of multiple risk factors, the global market turns to risk off, and the equity market fell in September.

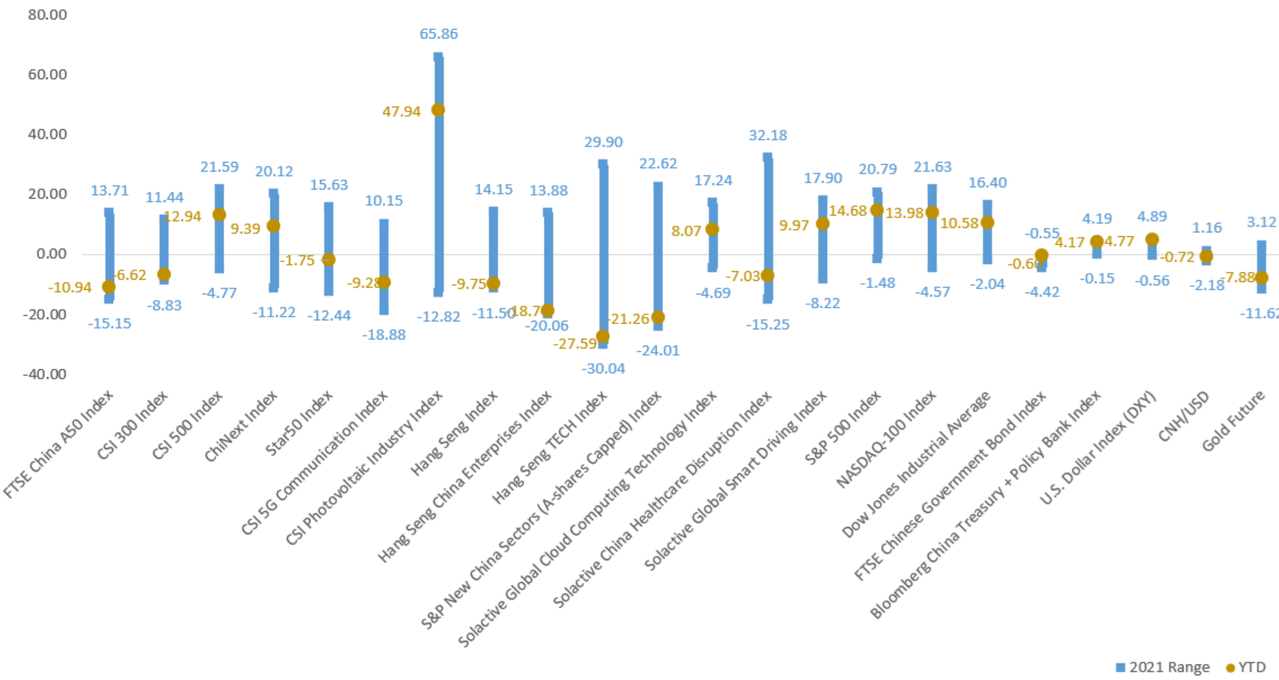
- After continuous increase in more than half a year, US stocks recorded their worst performance since March 2020 in September, and all the major three indexes closed down.
- Large-cap stocks rebounded in later September in the A-share market, and the FTSE China A50 Index rose 4.96% monthly. The photovoltaic sector that rose sharply before made a large correction, and the fluctuation of the cyclical sector made the CSI 500 index close lower in September.
- The 10-year US bond yield rose rapidly to 1.57%, rising by more than 20 basis points in September for two consecutive months, while the yield of Chinese government bonds remained stable.
- The US dollar index reach a one-year high level on 29 September, and the RMB performed steadily.

Monthly Return (%)



Source: Bloomberg, monthly return: 31/8/2021 - 30/9/2021

2021 Year-to-date and Range (%)



Source: Bloomberg, as of 30 September 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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CSOP Hong Kong Dollar Money Market ETF, CSOP US Dollar Money Market ETF, CSOP RMB Money Market ETF (the "Sub-Fund")

- The Sub-Fund offers both listed class of units (the "Listed Class") and unlisted class of Units (the "Unlisted Class"). Investors of Listed and Unlisted Classes are subject to different pricing and dealing arrangements. The NAV per unit of each of the Listed and Unlisted Classes may be different due to different fees and cost applicable to each Class.
- 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.
- 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 Bloomberg China Treasury + Policy Bank Bond Index ETF

- CSOP Bloomberg China Treasury + Policy Bank Bond Index ETF ("the Sub-Fund") is a "physical" ETF meaning it will invest directly in RMB denominated and settled fixed-rate bonds issued by the Ministry of Finance of the PRC, the China Development Bank, the Agricultural Development Bank of China or the Export-Import Bank of China and distributed within the PRC mainland (the "Treasury Bonds and Policy Bank Bonds") through the Manager's status as a Qualified Foreign Investor ("QFI"), and/or via the initiative for mutual bond market access between Hong Kong and Mainland China ("Bond Connect").
- Because the Sub-Fund invests in fixed-income securities, the Sub-Fund is subject to interest rate risk. Interest rate risk is the risk that the value of the Sub-Fund's portfolio will decline because of rising interest rates. Interest rate risk is generally lower for shorter-term investments and higher for longer-term investments.
- The Sub-Fund is subject to liquidity risk as continued regular trading activity and active secondary market for bonds is not guaranteed. The bid and offer spread of the price of bonds may be large, so the Sub-Fund may incur significant trading and realisation costs and may suffer losses accordingly. There can be no assurance that investors will be able to dispose of their Units at prices in the amounts and at the times at which they would wish to.

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).

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- 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.

CSOP MSCI China A Inclusion Index ETF

- 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.
- The concentration of the Fund's investments in a single geographical region (i.e. China) may subject it to greater volatility than portfolios which comprise broad-based global investments.
- Retail investors can only buy or sell units of the Fund on the SEHK. The trading price on the SEHK is driven by market factors and may trade at a substantial premiums or discount to its net asset value.

CSOP CSI 500 ETF

- CSOP CSI 500 ETF (the "Sub-Fund") is a physical ETF and invests primarily in China A-Shares listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange of the People's Republic of China ("China" or "PRC") through the Renminbi Qualified Foreign Institutional Investor ("RQFII") status of the Manager and/or the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect ("Stock Connect").
- 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.

CSOP SZSE ChiNext ETF

- 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.

CSOP Hang Seng TECH Index ETF

- CSOP Hang Seng TECH 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.
- The Hang Seng TECH Index (the "Underlying 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 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.

ICBC CSOP S&P New China Sectors ETF

- ICBC CSOP S&P New China Sectors ETF (the "Sub-Fund") is a physical index tracking exchange traded fund and it aims to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the underlying index, namely, S&P New China Sectors (A-shares Capped) Index (the "Index").
- The Sub-Fund's investments are concentrated in mainland China- and Hong Kong-domiciled companies in selected consumption and service-oriented industries. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

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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.
- 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.

CSOP Yinhua CSI 5G Communications Theme ETF

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- The Master ETF is not authorized by the Securities and Futures Commission for direct offering to the public in Hong Kong.
- 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.
- 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 net asset value.

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")

- 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 relevant index over that same. The effect of compounding becomes more pronounced on the Product's performance as the relevant 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 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 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

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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.
- 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

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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