

## WHAT ARE L&I PRODUCTS?

Leveraged and Inverse Products (L&I Products) offer a new world of opportunities for active investors who want to pursue short-term market views. L&I Products, structured as Exchange Traded Funds (ETFs), seek to achieve short-term investment results that correspond to the daily magnified or daily inverse performance of their underlying benchmarks on a daily basis.

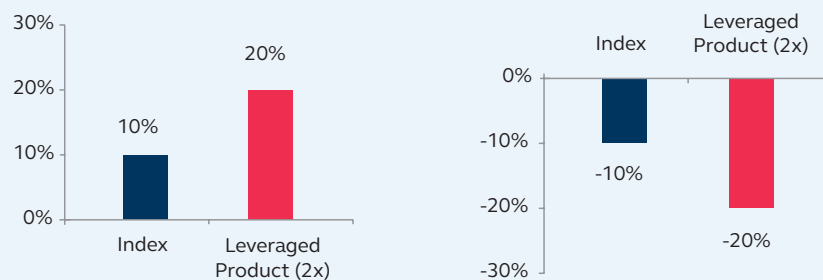
Today, the performance multiple is capped at two times (2x) for leveraged products and negative one time (-1x) for inverse products. L&I Products have three key features:

1. **Daily investment objective** – seek to achieve a multiple (2x or -1x) of their benchmark’s daily performance, before fees and expenses;
2. **Compounding effects of daily returns** – performance can deviate from the multiple of the benchmark’s cumulative return when held for longer than one trading day; and
3. **Use of derivatives** – invest a portion or all of their net assets in derivatives, typically futures or swaps.

## INVESTMENT OBJECTIVES OF L&I PRODUCTS

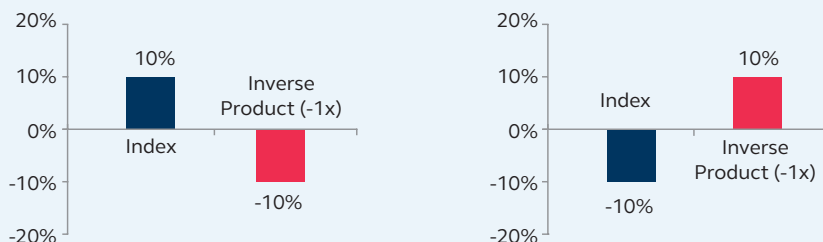
- **Leveraged Products** seek to provide two times (2x) the daily performance of their benchmark, before fees and expenses.

### Illustration:



- **Inverse Products** seek to provide the inverse (-1x) daily performance of their benchmark, before fees and expenses.

### Illustration:



## COMMON SHORT-TERM USES

| Leveraged Products  | Inverse Products   |
|---|--|
| <ul style="list-style-type: none"> <li>• Seeking to magnify daily returns</li> <li>• Obtaining a target level of exposure using less cash</li> <li>• Overweighting a market segment without committing additional cash</li> </ul> | <ul style="list-style-type: none"> <li>• Seeking profits from a market decline</li> <li>• Helping to hedge against an expected decline</li> <li>• Underweighting exposure to a market segment</li> </ul> |

## INVESTOR SUITABILITY

### The products are suitable for active investors who:

- understand the nature and risks of L&I Products, as they are designed for daily investment results; and
- actively monitor their holdings on a daily basis and can respond when market conditions change.

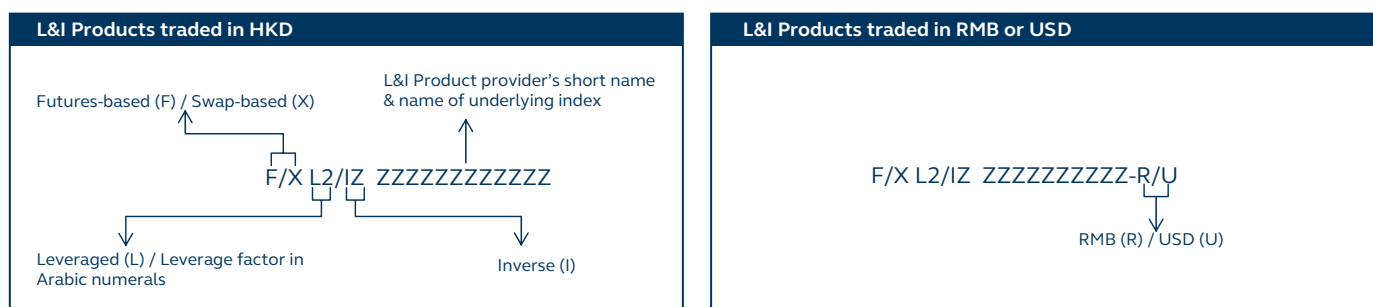
### The products are not suitable for investors who:

- are unfamiliar with the features and risks of L&I Products, as they are designed for daily investment results; and/or
- are looking for a long-term investment and cannot actively monitor their holdings.

## TRADING L&I PRODUCTS ON HKEX

- L&I Products may be traded, cleared and settled in Hong Kong dollars (HKD), Renminbi (RMB) and/or US dollars (USD).
- An L&I Product listed on HKEX's securities market can be identified by the stock short name assigned to it, which indicates some of the basic features of the product.

## Stock short names for L&I Products



- L&I Products have market makers, known as Securities Market Makers (SMMs) to help provide liquidity. Each L&I Product is required to have at least one SMM. The name of the SMMs as well as their obligations for each L&I Products can be found in the L&I Products section of the HKEX website.

## RISKS INVOLVED IN TRADING L&I PRODUCTS

Like ETFs, the risk of L&I Products can include counterparty risk, market risk, tracking errors, trading at discount or premium, and liquidity risk. In addition, investors should understand how the performance of L&I Products is likely to be affected when they are held for more than one trading day (compounding effect) as described previously.

## USEFUL WEBSITES

L&I Products section on the HKEX website: [www.hkex.com.hk/LIProduct](http://www.hkex.com.hk/LIProduct)

The Chin Family website ([www.thechinfamily.hk](http://www.thechinfamily.hk)), a financial education platform, managed by the Investor Education Centre, introduces L&I Products: [www.thechinfamily.hk/lipproducts](http://www.thechinfamily.hk/lipproducts)

## ENQUIRY

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