Issuer: Mirae Asset Global Investments (Hong Kong) Limited

PRODUCT KEY FACTS

Building on principles

Mirae Asset Horizons Exchange Traded Funds Series II
Mirae Asset Horizons S&P Crude Oil Futures Enhanced ER ETF
March 2018

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

Quick facts

Stock code:	3097
Trade lot size:	500 units
Fund Manager:	Mirae Asset Global Investments (Hong Kong) Limited
Trustee:	HSBC Institutional Trust Services (Asia) Limited
Ongoing charges over a year*:	0.99%
Tracking difference of the last calendar year:**	0.33%
Underlying Index:	S&P GSCI Crude Oil Enhanced Index Excess Return ("Excess Return" does not mean any additional return on the ETF's performance)
Base currency:	Hong Kong dollars (HKD)
Trading currency:	HKD
Dividend policy:	Annually (usually in March of each year) (if any) in HKD subject to the Manager's discretion. Distributions may not be paid if the cost of the Sub-Fund's operations is higher than the yield from management of the Sub-Fund's cash and holdings of investments***
Financial year end of the Sub-Fund:	31 March
ETF Website:	http://www.miraeasset.com.hk/en/etf/3097

* The ongoing charges figure is an annualised figure based on expenses reported in the Sub-Fund's interim financial statements for the six-months ended 30 September 2017, expressed as a percentage of the Sub-Fund's average net asset value over the same period.This figure may vary from year to year. It includes the amortised portion of the set-up costs of the Sub-Fund applicable to the relevant period but excludes any extraordinary expenses

** This is the actual tracking difference of the calendar year ended 31 December 2017. Investors should refer to the Sub-Fund's website for more up-to-date information on actual tracking difference.

*** There is no current intention to make distribution out of capital or effectively out of capital.

What is this product?

- Mirae Asset Horizons S&P Crude Oil Futures Enhanced ER ETF (the "Sub-Fund") is an investment fund of the Mirae Asset Horizons Exchange Traded Funds Series II, which is an umbrella unit trust established under Hong Kong law. The Sub-Fund is a passively managed index tracking ETF falling under Chapter 8.6, Chapter 8.4A and Appendix I of the Code on Unit Trusts and Mutual Funds. The units of the Sub-Fund (the "Units") are traded on The Stock Exchange of Hong Kong Limited (the "SEHK") like stocks.
- The Sub-Fund is a futures-based ETF which invests directly in the West Texas Intermediate crude oil ("WTI crude oil") (also known as Texas light sweet crude oil) futures contracts (the "WTI Futures Contracts") with different expiration dates traded on the New York Mercantile Exchange (the "NYMEX"). The parent company of NYMEX is CME Group Inc.
- The Sub-Fund is denominated in HKD. Creations and redemptions are in HKD only.

Objective and investment strategy

Objective

The Sub-Fund seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the S&P GSCI Crude Oil Enhanced Index Excess Return (the "Underlying Index").

Strategy

In seeking to achieve the Sub-Fund's investment objective, the Manager will adopt a full replication strategy through investing directly in WTI Futures Contracts so as to give the Sub-Fund the performance of the Underlying Index. In entering the WTI Futures Contracts each calendar month, the Manager anticipates that not more than 20% of the Net Asset Value from time to time will be used as margin to acquire the WTI Futures Contracts.

Not less than 80% of the Net Asset Value of the Sub-Fund will be invested in cash (HKD), cash equivalents and HKD or USD denominated short term investment grade government bonds (rated by Standard & Poor's, Moody's or Fitch). It is anticipated that the investment in bonds will not exceed 50% of the Net Asset Value of the Sub-Fund.

Any yield from these investments will be used to meet the Sub-Fund's fees and expenses and after deduction of such fees and expenses the remainder may be distributed by the Manager to Unitholders in HKD at the discretion of the Manager.

Other than WTI Futures Contracts, the Manager has no intention to invest the Sub-Fund in any financial derivative instruments (including structured products or instruments) for hedging or non-hedging (i.e. investment) purposes, or engage the Sub-Fund in securities lending, repurchase transactions or other similar over-the-counter transactions.

The Sub-Fund will not itself use leverage and the Sub-Fund's global exposure to financial derivative instruments (based on the settlement price of the WTI Futures Contracts) will not exceed 100% of its Net Asset Value.

Index

General

The Underlying Index tracks the price of the WTI Futures Contracts. It is denominated in USD and is calculated and published on a near real-time basis.

Index provider

The index provider is S&P Dow Jones Indices. The Manager (and each of its connected persons) is independent of the Index Provider.

Constituents

The Underlying Index is composed of WTI Futures Contracts with different expiration dates. The Underlying Index was launched on 22 September 2009 and had a base value of 100 as at 16 January 1995.

Futures roll

Every month, certain WTI Futures Contracts included in the Underlying Index are replaced by contracts that have different expiration dates and this process is referred to as "rolling". The rolling of existing WTI Futures Contracts occurs over a 5 day period every month, commencing on the 1st S&P GSCI Business Day of each month, and ending on the 5th S&P GSCI Business Day of each month.

Index methodology: Enhanced index with enhanced monthly rolling rule

The new WTI Futures Contracts (with different expiration dates) to which existing WTI Futures Contracts will be rolled depend on the "contango" (i.e. the situation where futures contract prices of the distant delivery months are higher than those of the nearer delivery months) between the nearest contract month and the next nearest contract month on the assessment date. By way of example, in January 2016, the nearest contract month shall mean February 2016 and the next nearest contract month shall mean March 2016.

Broadly speaking, if the contango between the WTI Futures Contracts price of the nearest contract month and the next nearest contract month is greater than 0.5% and:

(a) if the assessment of the contango above falls between January to June, then any non-December WTI Futures Contracts will be rolled to the current year's December WTI Futures Contracts i.e. WTI Futures Contracts with a delivery date of WTI crude oil in December of the current year;

(b) if the assessment of the contango above falls within July, then any WTI Futures Contracts will be rolled to the next year's December WTI Futures Contracts; and

(c) if the assessment of the contango above falls between August to December, any non-December WTI Futures Contracts will be rolled to next year's December WTI Futures Contracts.

On the other hand, if the contango is 0.50% or less, any (i) current year's December WTI Futures Contracts; (ii) next year's December WTI Futures Contracts; and (iii) the non-December WTI Futures Contracts held by the Sub-Fund will be replaced by the next nearest contract month's WTI Futures Contracts.

Excess return

The return of the Underlying Index is calculated based on the change in price levels of the WTI Futures Contracts as well as the gain or loss obtained by "rolling" hypothetical positions in such WTI Futures Contracts as they approach delivery.

The Underlying Index is an excess return (and not a total return) index and therefore reflects the positive or negative return of the underlying WTI Futures Contracts price movements only (and not any notional interest earnings).

Index information

Bloomberg Code: SGESCLP

Thomson Reuters Code: .SGESCLP

For further detail please refer to the website of the index provider, S&P Dow Jones Indices, at http://us.spindices.com/indices/commodities/sp-gsci-crude-oil-enhanced.

What are the key risks?

Investment involves risks. The Sub-Fund is a futures based fund as well as an ETF. The risks of investing in the Sub-Fund are therefore greater than those of investing in other conventional ETFs tracking equity indices. In particular investment in commodity futures contracts involves specific risks such as high volatility, leverage, high rollover costs and margin risks. Crude oil price is highly volatile. You may suffer substantial / total loss by investing in this Sub-Fund. Please refer to the Prospectus for details including the risk factors.

1. Investment 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.

2. New product risks

- The Sub-Fund is a futures contracts-based ETF investing directly in WTI Futures Contracts. The Sub-Fund will be one of the first futures contracts-based ETFs tracking a single commodity futures index such as the Underlying Index in Hong Kong. The novelty and untested nature of such an ETF makes the Sub-Fund riskier than traditional ETFs investing in equity securities.

3. Crude oil market risks

- *High volatility risk:* Crude oil prices are highly volatile and may fluctuate widely and may be affected by numerous events or factors such as crude oil production and sale, complex interaction of supply and demand of crude oil, weather, crude oil inventory level, war, speculator's activities, Organization of the Petroleum Exporting Countries' behaviour and control, economic activity of significant crude oil use country and other financial market factors.

- *Single commodity/concentration risk:* As the exposure of the Sub-Fund is concentrated in the crude oil market, it is more susceptible to the effects of crude oil price volatility than more diversified funds.

4. Futures contracts risks

- *Contango and backwardation risk:* A "roll" occurs when an existing futures contract is replaced in the Underlying Index with a futures contract representing the same underlying but with a different expiration date. Since the Underlying Index is calculated with reference to these WTI Futures Contracts, the value of the Underlying Index (and so the Net Asset Value per Unit) may be adversely affected by the cost of rolling positions forward (due to the higher price of the WTI Futures Contract with later expiration dates, i.e. "contango"). By contrast, if the market for these contracts is in "backwardation", where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of these WTI Futures Contracts would take place at a price that is higher than the price of the existing futures contracts, thereby creating a positive "roll yield".

- *Volatility risk:* The price of WTI Futures Contracts can be highly volatile and is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programs, policies of governments and political changes.

- *Liquidity risk*: The Underlying Index is calculated with reference to WTI Futures Contracts exposing the Sub-Fund and the investor to a liquidity risk linked to WTI Futures Contracts which may affect their value.

- *Leverage risk*: Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a WTI Futures Contract may result in a proportionally high impact and substantial losses to the Sub-Fund, having a material adverse effect on the Net Asset Value. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

5. Risk of material non-correlation with spot/current market price of the WTI crude oil risk

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

6. Margin risks

- Generally, most leveraged transactions, such as WTI Futures Contracts, involve the posting of collateral or margin. Increases in the amount of collateral or margin or similar payments may result in the need for the Sub-Fund to liquidate its investments at unfavourable prices in order to meet collateral or margin calls. This may result in substantial losses to Unitholders.

7. Risks of investing in fixed income securities

Credit/counterparty risk

- The Sub-Fund is exposed to the credit/default risk of issuers of the debt securities that the Sub-Fund may invest in.

Interest rate risk

- Investment in the Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

Sovereign debt risk

- The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

Credit ratings risks

- Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

8. Government intervention and restrictions risks

- Governments and regulators may intervene in the financial markets, such as by the imposition of trading restrictions. This may affect the operation and market making activities of the Sub-Fund, and may create negative market sentiment which may in turn affect the performance of the Underlying Index and the Sub-Fund.

9. Passive investments risks

- The Sub-Fund is not "actively managed" and therefore the Manager will not adopt any temporary defensive position against any market downturn. When there is a decline in the Underlying Index, the Sub-Fund will also decrease in value.

10. Trading risks

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

- As investors will pay certain charges (e.g. trading fees and brokerage fees) to buy or sell Units on the SEHK, investors may pay more than the Net Asset Value per Unit when buying Units on the SEHK, and may receive less than the Net Asset Value per Unit when selling Units on the SEHK.

11. Trading differences risk

- As the NYMEX may be open when the Units are not priced, the value of any WTI Futures Contract in the Sub-Fund's portfolio may change substantially when investors may not be able to buy or sell Units. Differences in trading hours between NYMEX and the SEHK may also increase the level of premium or discount of the Unit price to its Net Asset Value.

12. Reliance on market maker risks

- Although the Manager will ensure that at least one market maker will maintain a market for the Units and gives not less than 3 months notice prior to termination of the market making arrangement, liquidity in the market for the Units may be adversely affected if there is no or only one market maker for the Units. There is no guarantee that any market making activity will be effective.

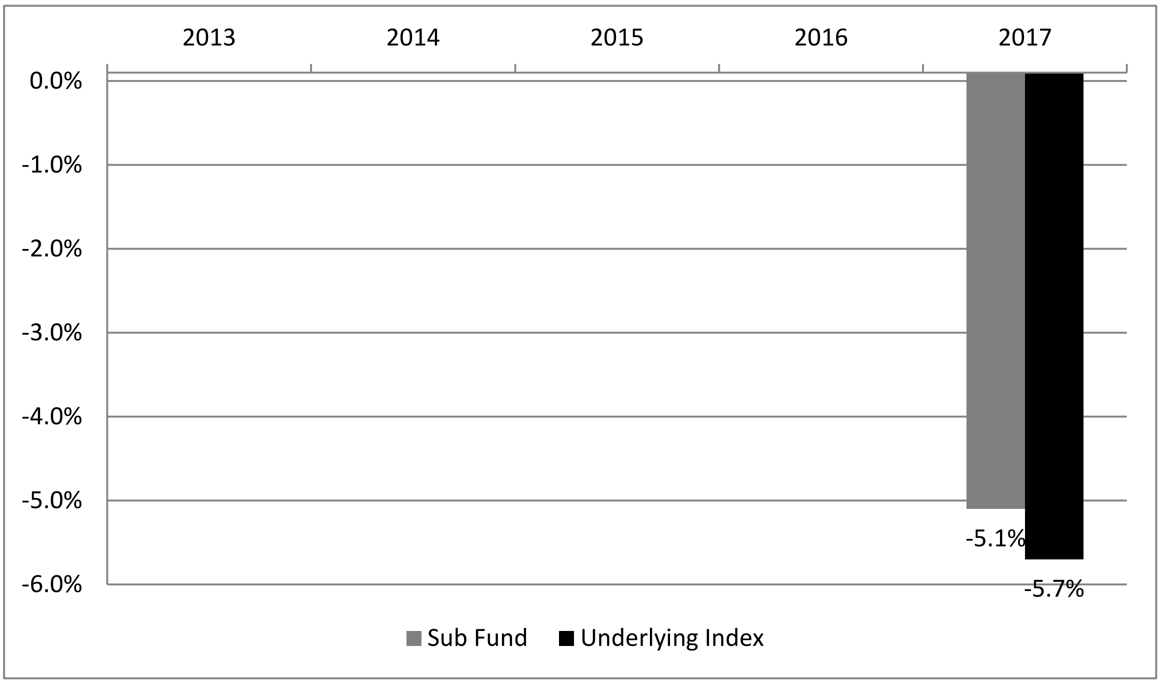
13. Tracking error risk

- Due to fees and expenses of the Sub-Fund, liquidity of the market and the investment strategy adopted by the Manager, the Sub-Fund's return may deviate from that of the Underlying Index. The Manager will monitor and seek to manage such risk in minimising tracking error. There can be no assurance of exact or identical replication at any time of the performance of the Underlying Index.

14. Termination risk

- The Sub-Fund may be terminated early under certain circumstances, for example, where the Underlying Index is no longer available for benchmarking or if the size of the Sub-Fund falls below HKD40 million. Any distribution received by a Unitholder on termination of the Sub-Fund may be less than the capital initially invested by the Unitholder, resulting in a loss to the Unitholder.

How has the Sub-Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividends (if any) reinvested.
- These figures show by how much the Sub-Fund increased or decreased in value during the calendar year shown. Performance data has been calculated in HKD including ongoing charges and excluding trading costs on SEHK you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.

Sub-Fund launch date: 10 June 2016

Is there any guarantee?

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

What are the fees and charges?

<u>Charges incurred when trading the Sub-Fund on SEHK</u>

Fee	What you pay
Brokerage fee	Market rates
Transaction levy	0.0027%[1] of the trading price
Trading fee	0.005%[2] of the trading price
Stamp duty	Nil

[1] *Transaction levy of 0.0027% of the trading price of the Units, payable by each of the buyer and the seller.*
[2] *Trading fee of 0.005% of the trading price of the Units, payable by each of the buyer and the seller.*

Ongoing fees payable by the Sub-Fund

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

	Annual rate (as a % of the Sub-Fund's Net Asset Value)
Management fee*	0.75%
Trustee fee*	0.12%, subject to a monthly minimum of HKD78,000 (waived for the 12 months from the listing date)
Performance fee	Not applicable
Administration fee	Not applicable

*Please note that such a fee may be increased up to a permitted maximum amount by providing 1 month's prior notice to unitholders. Please refer to the "Fees and Expenses" section of the Prospectus for details.

Additional information

You can find the following information of the Sub-Fund in English and Chinese (unless otherwise specified) at the following website at http://www.miraeasset.com.hk/en/etf/3097 (which has not been reviewed or approved by the SFC):

- The Sub-Fund's Prospectus and product key facts statement (as revised from time to time)
- The latest annual and semi-annual financial reports of the Sub-Fund in English only
- Any public announcements made by the Sub-Fund, including information in relation to the Sub-Fund, the Underlying Index, notices of the suspension of the calculation of the Net Asset Value, changes in fees and charges and the suspension and resumption of trading of Units
- The holdings of the Sub-Fund which is updated on a daily basis, the last closing Net Asset Value in HKD and the Net Asset Value per Unit in HKD of the Sub-Fund
- A performance simulation of the Sub-Fund, which allows investors to select a historical time period and simulate the performance of the Sub-Fund vis-a-vis the spot price of WTI crude oil during that period based upon historical data
- List of participating dealers and market makers
- Near real-time estimated Net Asset Value per Unit of the Sub-Fund on each dealing day during normal trading hours of the SEHK in HKD

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.