

# ChinaAMC Leveraged/Inverse Series

## ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product

### Unaudited Semi-Annual Report

For the period from  
14 March 2017 (date of inception)  
to 30 September 2017



华夏基金  
ChinaAMC

UNAUDITED SEMI-ANNUAL REPORT

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x)  
Inverse Product  
(Stock Code: 7341)  
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

For the period from 14 March 2017 (date of inception) to  
30 June 2017

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product  
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**IMPORTANT:**

Any opinion expressed herein reflects the Manager's view only and is subject to change. For more information about the Sub-Fund, please refer to the prospectus of the Sub-Fund which is available at our website: (<http://www.chinaamc.com.hk>)

Investors should not rely on the information contained in this report for their investment decisions.

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#### MANAGEMENT AND ADMINISTRATION

##### **Manager**

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

##### **Directors of the Manager**

Mr. Yang Minghui  
Mr. Zhang Xiaoling  
Mr. Gan Tian

##### **Trustee & Registrar**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road  
Central, Hong Kong

##### **Auditor**

Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Hong Kong

##### **Investment Adviser**

Rafferty Asset Management LLC  
1301 Avenue of the Americas  
28/F New York, NY10019  
United States of America

##### **Listing Agent**

China International Capital Corporation Hong  
Kong Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

##### **Legal Adviser to the Manager**

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway  
Hong Kong

##### **Service Agent**

HK Conversion Agency Services Limited  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

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MANAGEMENT AND ADMINISTRATION (continued)

**Participating Dealers**

ABN AMRO Clearing Hong Kong Limited  
70/F, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

KGI Securities (Hong Kong) Limited  
41/F Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

BNP Paribas Securities Services  
21/F, PCCW Tower  
Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

Merril Lynch far East Limited  
55/F, Cheung Kong center  
2 Queen's Road Central  
Central, Hong Kong

China International Capital Corporation Hong Kong  
Securities Limited  
29/F, One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

Morgan Stanley Hong Kong Securities Limited  
46th Floor, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central, Hong Kong

UBS Securities Hong Kong Limited  
46 -52/F, Two International Finance Centre  
8 Finance Street  
Central, Hong Kong

Credit Suisse Securities (Hong Kong) Limited  
Level 88, International Commerce Centre  
1 Austin Road West  
Kowloon, Hong Kong

Yue Kun Research Limited  
17/F, China Building  
29 Queen's Road  
Central, Hong Kong

Citigroup Global Markets Asia Limited  
50/F, Champion Tower  
3 Garden Road  
Central, Hong Kong

Deutsche Securities Asia Limited  
Level 52, International Commerce Centre  
1 Austin West  
Kowloon, Hong Kong

Guotai Junan Securities (Hong Kong) Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road  
Central, Hong Kong

Haitong International Securities Company Limited  
22/F, Li Po Chun Chambers  
189 Des Voeux Road  
Central, Hong Kong

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REPORT OF THE MANAGER TO THE UNITHOLDERS

**Introduction**

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product (the “Sub-Fund”) is a product of ChinaAMC Leveraged/Inverse Series, an umbrella unit trust established under Hong Kong law. Units of the Sub-Fund are traded on The Stock Exchange of Hong Kong Limited like stocks. It is a futures-based product which invests directly in Hang Seng China Enterprises Index futures contracts (“HSCEI Futures”) which are traded on the Hong Kong Futures Exchange Limited so as to give the Sub-Fund the inverse of the daily performance of the Hang Seng China Enterprises Index (the “Index”). The Sub-Fund is denominated in Hong Kong dollar (“HKD”). Creations and redemptions are in HKD only.

China Asset Management (Hong Kong) Limited (the “Manager”) and Rafferty Asset Management LLC (the “Investment Adviser”) intend to adopt a futures-based replication investment strategy to achieve the investment objective of the Sub-Fund, through directly investing in the spot month HSCEI Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the Index. In entering the spot month HSCEI Futures, it is anticipated that no more than 10% of the Net Asset Value (“NAV”) of the Sub-Fund from time to time will be used as margin to acquire the HSCEI Futures. Under exceptional circumstances (e.g. increased margin requirement by the exchange in extreme market turbulence), the margin requirement may increase substantially. At least 90% of the NAV (this percentage may be reduced proportionately under exceptional circumstances, as described above) will be invested in cash and other HKD denominated investment products, such as deposits with banks in Hong Kong and Securities and Futures Commission (“SFC”) authorised money market funds in accordance with the requirements of the Code on Unit Trusts and Mutual Funds. The Sub-Fund will not enter into securities lending, repurchase, reverse-repurchase transactions or other similar over-the-counter transactions.

At or around the close of the trading of the underlying futures market on each business day, the Sub-Fund will seek to rebalance its portfolio, by decreasing inverse exposure in response to the Index’s daily gains or increasing inverse exposure in response to the Index’s daily losses, so that its daily inverse exposure ratio to the Index is consistent with the Sub-Fund’s investment objectives.

**Performance of the Sub-Fund**

The investment objective is to provide daily investment results, before fees and expenses, which closely correspond to the inverse of the daily performance of the Index. The Sub-Fund does not seek to achieve its stated investment objective over a period of time greater than one day.

The performance of the Sub-Fund is in below (total returns in respective currency<sup>1,2</sup>):

	1-Month	3-Month	Since Launch <sup>3</sup>
The Index	-0.54%	2.86%	2.44%
The Sub-Fund (NAV-to-NAV)	0.89%	-2.78%	-2.79%
The Sub-Fund (Market-to-Market)	0.91%	-2.89%	-3.01%

<sup>1</sup> Source: Bloomberg, as of 30 June 2017. Performances of the Index and market price of the Sub-Fund are calculated in HKD while performance of NAV of the Sub-Fund is calculated in United State dollar.

<sup>2</sup> Past performance figures are not indicative of the future performance of the Sub-Fund

<sup>3</sup> Calculated since 14 March 2017.

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REPORT OF THE MANAGER TO THE UNITHOLDERS (continued)

**Activities of the Sub-Fund**

According to Bloomberg, the average daily trading volume of the Sub-Fund was approximately 2,058,267 units from 14 March 2017 (date of inception) to 30 June 2017. As of 30 June 2017, there were 47,000,000 units outstanding.

China Asset Management (Hong Kong) Limited  
24 August 2017

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product  
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 (Unaudited) HKD
<b>ASSETS</b>	
Derivative financial instruments	2,986,100
Margin deposit	30,860,791
Cash and cash equivalents	330,317,330
<b>TOTAL ASSETS</b>	<u>364,164,221</u>
<b>LIABILITIES</b>	
Audit fee payable	72,996
Management fee payable	300,099
Trustee and registrar fees payable	36,376
Other payables and accruals	375,858
<b>TOTAL LIABILITIES</b>	<u>785,329</u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	<u>363,378,892</u>
Number of units in issue	<u>47,000,000</u>
Net asset value per unit	<u>7.7315</u>



ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product  
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STATEMENT OF COMPREHENSIVE INCOME

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
<b>EXPENSES</b>	
Interest expenses	( 3,098)
Management fees	( 1,160,750)
Trustee and registrar fees	( 140,697)
Accounting professional fees	( 25,816)
Audit fee	( 72,795)
Brokerage and other transaction fees	( 348,770)
Formation costs	( 523,250)
Other operating expenses	( 176,905)
	<u>( 2,452,081)</u>
<b>LOSS BEFORE INVESTMENT LOSSES AND EXCHANGE DIFFERENCES</b>	( 2,452,081)
<b>INVESTMENT LOSSES AND EXCHANGE DIFFERENCES</b>	
Net realised losses on derivative financial instruments	( 13,410,153)
Net change in unrealised gains on derivative financial instruments	2,986,100
Foreign exchange losses	( 604)
	<u>( 10,424,657)</u>
<b>OPERATING LOSS AND TOTAL COMPREHENSIVE INCOME</b>	<u>( 12,876,738)</u>

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
At 14 March 2017 (date of inception)	-
Issue of units	413,517,910
Redemption of units	( 37,262,280)
Total comprehensive income	<u>( 12,876,738)</u>
At 30 June 2017	<u><u>363,378,892</u></u>

ChinaAMC Direxion Hang Seng China Enterprises Index Daily (-1x) Inverse Product  
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STATEMENT OF CASH FLOWS

For the period from 14 March 2017 (date of inception) to 30 June 2017

	Period from 14 March 2017 (date of inception) to 30 June 2017 (Unaudited) HKD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating loss	( 12,876,738)
Adjustments for:	
Net realised losses on derivative financial instruments	13,410,153
Net change in unrealised gains on derivative financial instruments	( 2,986,100)
Operating loss before changes in working capital	<u>( 2,452,685)</u>
Proceeds from sale of derivative financial instruments	( 13,410,153)
Increase in margin deposit	( 30,860,791)
Increase in audit fee payable	72,996
Increase in management fee payable	300,099
Increase in trustee and registrar fees payable	36,376
Increase in other payables and accruals	375,858
Net cash used in operating activities	<u>( 45,938,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of units	413,517,910
Payments on redemption of units	( 37,262,280)
Net cash flows from financing activities	<u>376,255,630</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	
	330,317,330
Cash and cash equivalents at the beginning of the period	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u><u>330,317,330</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>	
Cash at bank	<u><u>330,317,330</u></u>

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INVESTMENT PORTFOLIO (UNAUDITED)

As at 30 June 2017

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair Value</u> HKD	<u>% of</u> <u>NAV</u>
<b>Futures contracts</b>				
Hong Kong				
H-SHARES IDX FUT				
JUL 28/07/2017	28 July 2017	(703)	<u>2,986,100</u>	<u>0.82</u>
<b>Total futures contracts</b>			<u>2,986,100</u>	<u>0.82</u>
<b>Total derivative financial instruments, at fair value</b> <b>(Total investments, at cost: Nil)</b>			2,986,100	0.82
<b>Other net assets</b>			<u>360,392,792</u>	<u>99.18</u>
<b>Net assets attributable to unitholders</b>			<u>363,378,892</u>	<u>100.00</u>

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MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

<u>Investments</u>	Holdings as at 14 March 2017 (date of inception)	<u>Additions</u>	<u>Disposals</u>	Holdings as at 30 June 2017
<b>Futures contracts</b>				
H-SHARES IDX FUT MAR 17 30/03/2017	-	854	(854)	-
H-SHARES IDX FUT APR 27/04/2017	-	870	(870)	-
H-SHARES IDX FUT MAY 29/05/2017	-	876	(876)	-
H-SHARES IDX FUT JUN 29/06/2017	-	829	(829)	-
H-SHARES IDX FUT JUL 28/07/2017	-	7	(710)	(703)

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PERFORMANCE RECORD (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

**1. Net Asset Value**

	Net asset value per unit HKD	Total net asset value HKD
As at: 30 June 2017 (Unaudited)	7.7315	363,378,892

**2. Highest issue and lowest redemption prices per unit<sup>A</sup>**

	Highest issue unit price HKD	Lowest redemption unit price HKD
During the period from: 14 March 2017 (date of inception) to 30 June 2017 (Unaudited)	8.2265	7.6432

**3. Comparison of the scheme performance and the actual Index performance<sup>A</sup>**

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the period from 14 March 2017 (date of inception) to 30 June 2017:

	The Index (since 14 March 2017)	The Sub-Fund (since 14 March 2017)
During the period from: 14 March 2017 (date of inception) to 30 June 2017 (Unaudited)	2.44%	-3.01%

<sup>A</sup> Past performance figures shown are not indicative of the future performance of the Sub-Fund.

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DISTRIBUTION DISCLOSURE (UNAUDITED)

For the period from 14 March 2017 (date of inception) to 30 June 2017

The Manager may in its absolute discretion distribute income to unitholders at such time or times as it may determine in each financial period or determine that no distribution shall be made in any financial period. The amount to be distributed to unitholders, if any, will be derived from the net income of the Sub-Fund.

The Sub-Fund did not make any distribution during the period from 14 March 2017 (date of inception) to 30 June 2017.

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INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (UNAUDITED)

As at 30 June 2017

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Trade Funds, the Sub-Fund's holding of any such constituent securities should not exceed their respective weightings in the underlying index, except where the weightings are exceeded as a result of changes in the composition of the underlying index and the excess is only transitional and temporary in nature.

The Sub-Fund did not have any constituent securities that individually accounted for more than 10% of the NAV of the Sub-Fund and its respective weightings of the Index as at 30 June 2017.





**华夏基金(香港)有限公司**  
CHINA ASSET MANAGEMENT (HONG KONG) LIMITED

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