

ChinaAMC Leveraged/Inverse Series

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product

Unaudited Semi-Annual Report

For the period from
28 September 2016 (date of inception)
to 30 September 2017



华夏基金
ChinaAMC

UNAUDITED SEMI-ANNUAL REPORT

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product
(Stock Code:7331)
(a Sub-Fund of ChinaAMC Leveraged/Inverse Series)

For the period from 28 September 2016 (date of inception) to
30 June 2017

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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

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

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

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

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

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

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

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

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

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

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product
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REPORT OF THE MANAGER TO THE UNITHOLDERS

Introduction

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product (the “Sub-Fund”) is a sub-fund 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 the E-Mini NASDAQ 100 futures (“E-mini NASDAQ 100 Futures”) which are traded on the Chicago Mercantile Exchange so as to give the Sub-Fund the inverse of the daily performance of the NASDAQ-100 Index (the “Index”). The Sub-Fund is denominated in United States dollar (“USD”). Creations and redemptions are in USD only.

Rafferty Asset Management LLC (the “Investment Adviser”) intends to adopt a futures-based replication investment strategy to achieve the investment objective of the Sub-Fund, through directly investing in the nearest quarter E-mini NASDAQ 100 Futures, subject to the rolling strategy discussed below, to obtain the required exposure to the Index. In entering the nearest quarter E-mini NASDAQ 100 Futures, it is anticipated that no more than 20% of the Net Asset Value (“NAV”) of the Sub-Fund from time to time will be used as margin to acquire the E-mini NASDAQ 100 Futures. The remaining 80% of the NAV of the Sub-Fund will be invested in cash and other USD 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 on the NASDAQ 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^{1,2}):

	1-Month	3-Month	Since Launch ³
The Index	-2.40%	4.19%	16.88%
Inverse Product (NAV-to-NAV)	2.17%	-4.50%	-15.66%
Inverse Product (Market-to-Market)	2.97%	-4.08%	-14.86%

¹ Source: Bloomberg, as of 30 June 2017. Performances of the Index and NAV of the Sub-Fund are calculated in USD while performance of Market Price of the Sub-Fund is calculated in HKD.

² Past performance figures are not indicative of the future performance of the Sub-Fund.

³ Calculated since 28 September 2016.

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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 10,080 units from 1 January 2017 to 30 June 2017. As of 30 June 2017, there were 6,500,000 units outstanding.

China Asset Management (Hong Kong) Limited
25 August 2017

ChinaAMC Direxion NASDAQ-100 Daily (-1x) Inverse Product
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STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 (Unaudited) USD
ASSETS	
Derivative financial instruments	414,631
Margin deposit	767,612
Cash and cash equivalents	9,673,036
Prepayments and other receivables	2,095
TOTAL ASSETS	<u>10,857,374</u>
LIABILITIES	
Audit fee payable	15,052
Management fee payable	8,734
Trustee and registrar fees payable	1,059
Other payables and accruals	27,672
TOTAL LIABILITIES	<u>52,517</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>10,804,857</u>
Number of units in issue	<u>6,500,000</u>
Net asset value per unit	<u>1.6623</u>

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STATEMENT OF COMPREHENSIVE INCOME

For the period from 28 September 2016 (date of inception) to 30 June 2017

	Period from 28 September 2016 (date of inception) to 30 June 2017 (Unaudited) USD
INCOME	
Interest income	2,152
Other income	82
	<u>2,234</u>
EXPENSES	
Management fee	(106,463)
Trustee and registrar fees	(12,905)
Accounting professional fees	(9,288)
Audit fee	(15,052)
Brokerage and other transaction fees	(6,490)
Formation costs	(165,000)
Other operating expenses	(38,554)
	<u>(353,752)</u>
LOSS BEFORE INVESTMENT LOSSES AND EXCHANGE DIFFERENCES	(351,518)
INVESTMENT LOSSES AND EXCHANGE DIFFERENCES	
Net realised losses on derivative financial instruments	(2,658,107)
Net change in unrealised gains on derivative financial instruments	414,631
Foreign exchange gains	11
	<u>(2,243,465)</u>
OPERATING LOSS AND TOTAL COMPREHENSIVE INCOME	(2,594,983)

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STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the period from 28 September 2016 (date of inception) to 30 June 2017

	Period from 28 September 2016 (date of inception) to 30 June 2017 (Unaudited) USD
At 28 September 2016 (date of inception)	-
Issue of units	18,226,960
Redemption of units	(4,827,120)
Total comprehensive income	<u>(2,594,983)</u>
At 30 June 2017	<u><u>10,804,857</u></u>

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STATEMENT OF CASH FLOWS

For the period from 28 September 2016 (date of inception) to 30 June 2017

	Period from 28 September 2016 (date of inception) to 30 June 2017 (Unaudited) USD
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	(2,594,983)
Adjustments for:	
Interest income	(2,152)
Net realised losses on derivative financial instruments	2,658,107
Net change in unrealised gains on derivative financial instruments	(414,631)
Operating loss before changes in working capital	<u>(353,659)</u>
Proceeds from sale of derivative financial instruments	(2,658,107)
Increase in prepayments and other receivables	(2,095)
Increase in margin deposit	(767,612)
Increase in audit fee payable	15,052
Increase in management fee payable	8,734
Increase in trustee and registrar fees payable	1,059
Increase in other payables and accruals	27,672
Cash used in operations	<u>(3,728,956)</u>
Interest received	2,152
Net cash used in operating activities	<u>(3,726,804)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of units	18,226,960
Payments on redemption of units	(4,827,120)
Net cash flows from financing activities	<u>13,399,840</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,673,036
Cash and cash equivalents at the beginning of the period	<u>-</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>9,673,036</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash at bank	<u>9,673,036</u>

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INVESTMENT PORTFOLIO (UNAUDITED)

As at 30 June 2017

	<u>Expiration date</u>	<u>Contracts</u>	<u>Fair Value</u> USD	<u>% of</u> <u>NAV</u>
Futures contracts				
United States				
NASDAQ 100 E-MINI FUT				
SEP 15/09/2017	15 September 2017	(96)	<u>414,631</u>	<u>3.84</u>
Total futures contracts			<u>414,631</u>	<u>3.84</u>
Total derivative financial instruments, at fair value				
(Total investments, at cost: Nil)			414,631	3.84
Other net assets			<u>10,390,226</u>	<u>96.16</u>
Net assets attributable to unitholders			<u>10,804,857</u>	<u>100.00</u>

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MOVEMENTS IN INVESTMENT PORTFOLIO (UNAUDITED)

For the period from 28 September 2016 (date of inception) to 30 June 2017

<u>Investments</u>	Holdings as at 28 September 2016 <u>(date of inception)</u>	<u>Additions</u>	<u>Disposals</u>	Holdings as at 30 June 2017
Futures contracts				
NASDAQ 100 E-MINI FUT DEC 16/12/2016	-	241	(241)	-
NASDAQ 100 E-MINI FUT MAR 17/03/2017	-	202	(202)	-
NASDAQ 100 E-MINI FUT MAR 16/06/2017	-	122	(122)	-
NASDAQ 100 E-MINI FUT SEP 15/09/2017	-	9	(105)	(96)

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PERFORMANCE RECORD (UNAUDITED)

For the period from 28 September 2016 (date of inception) to 30 June 2017

1. Net asset value

	Net asset value per unit USD	Total net asset value USD
As at: 30 June 2017 (Unaudited)	1.6623	10,804,857

2. Highest issue and lowest redemption prices per unit^A

	Highest issue unit price USD	Lowest redemption unit price USD
During the period from: 28 September 2016 (date of inception) to 30 June 2017 (Unaudited)	2.0808	1.6208

3. Comparison of the scheme performance and the actual index performance^A

The table below illustrates the comparison between the Sub-Fund's performance (Market-to-Market) and that of the Index during the period from 28 September 2016 (date of inception) to 30 June 2017:

	The Index (since 28 September 2016)	The Sub-Fund (since 28 September 2016)
During the period from: 28 September 2016 (date of inception) to 30 June 2017 (Unaudited)	15.83%	-14.86%

^A 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 28 September 2016 (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 28 September 2016 (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.

